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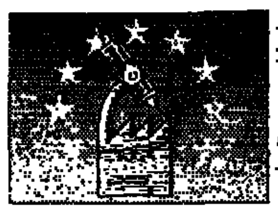

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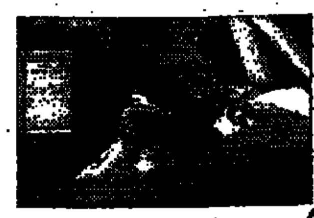

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FINANCIAL TIMES

Europe's Business Newspaper | TUESDAY OCTOBER 26 1993 | D8523A

Boeing earnings down 45% as recession bites

Boeing, the world's leading commercial aircraft manufacturer, reported a 45 per cent drop in third-quarter net earnings as it continued to be hit by recession in the world's civil aviation industry.

The earnings of $189m, or 56 cents a share, on sales of $5.153bn, were within the range of analysts' expectations but the shares dipped $⅞ to $37⅝ in morning trading on the New York Stock Exchange. Page 17

Russian property decree expected: Russian president Boris Yeltsin was expected last night to sign a decree allowing for the sale and purchase of land, seven decades after the Bolsheviks abolished private property. Page 16

Warning on Spanish rates: Spain's economy and finance minister, Pedro Solbes, has warned that benchmark interest rates in Spain, now at a historic low of 9.25 per cent following cuts last week, are unlikely to fall further in the immediate future. Page 3

Evidence swap in VW probe: The way has been cleared for US and German criminal authorities to exchange evidence gathered in their parallel investigations of alleged theft and industrial espionage by Volkswagen executives. Page 16

UN discusses new Yugoslav talks: The United Nations is considering whether to convene a new round of peace talks in London to end the civil war in former Yugoslavia, UN secretary-general Boutros Boutros Ghali said. Page 2

Dinkins considers offer for betting shops

Ladbroke Group, UK leisure company, has approached New York mayor David Dinkins (left) with an offer to buy or run the city's 93 off-track betting shops. John Long, president and chief operating officer of Ladbroke Racing in the US, has written to Mr Dinkins suggesting a meeting to discuss "several levels of involvement" by the UK company. Page 17

Power sell-off looms: The Swedish Government is urgently to consider a partial privatisation of Vattenfall, Europe's sixth largest electricity producer, to enable the company to raise SKr4bn ($497m) in new capital. Page 17; Asset disposal helps boost Norsk Hydro, Page 18

Palestinians freed: Israel freed hundreds of Palestinian prisoners at the beginning of a mass release aimed at bolstering the Israeli-Palestinian peace process. Page 4; Inside the prisons of the intifada, Page 4

Singapore Airlines, consistently one of the world's most profitable carriers, blamed recession in many markets, intense competition and the strength of the Singapore dollar for a 15 per cent drop in pre-tax profits to S$423.5m (US$269m) for the six months ending September 30. Page 21

Gatt fears ease: Significant new offers to open up national procurement markets were put forward in Geneva, reducing concerns that disputes over the issue will jeopardise progress towards successful completion of the Uruguay Round of world trade liberalisation talks. Page 5; French managers back Gatt peace. Page 5

France wants nuclear co-operation: France said it would not let disappointment at the UK government's decision to cancel an air-launched missile project affect its desire for closer Anglo-French nuclear co-operation. Page 3

Exxon, US energy group, comfortably exceeded market expectations with a 19 per cent rise in third-quarter net income on the back of recent cost-cutting and asset disposals. Page 20

Optimism on vehicle sales: UK van and truck makers believe the most severe recession in the commercial vehicle market since the second world war may be over, as registrations rose by 14.94 per cent in September. Page 8

Energy aid to be considered: The US Energy Department is to study whether the smaller independent companies in the American oil and gas industry should receive greater government support. Page 6

Rave on: Over a million young people a week in the UK are now going to "rave" parties and spending up to a "staggering" £2bn ($2.9bn) a year on the activity, according to a research and forecasting organisation. Page 16

■ STOCK MARKET INDICES		
FT-SE 100:	3184.8	(-14.2)
Yield	3.68	
FT-SE Eurotrack 100	1378.69	(-7.47)
FT-A All-Share	1572.00	(-0.3%)
Nikkei	20,389.33	(+44.50)
New York: lunchtime		
Dow Jones Ind Ave	3649.02	(-0.28)
S&P Composite	462.22	(-1.05)
■ US LUNCHTIME RATES		
Federal Funds:	3⅛%	
3-mo Treas Bills: Yld	3.095%	
Long Bond	102$\frac{1}{32}$	
Yield	6.042%	
■ LONDON MONEY		
3-mo Interbank	5⅝	(5⅝)
Liffe long gilt future:	Dec 114$\frac{3}{32}$	(Dec 115$\frac{1}{32}$)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Dec)	$16.44	(16.9)
■ Gold		
New York Comex (Dec)	$370.5	(371.3)
London	$371.75	(368.0)

■ STERLING		
New York lunchtime:		
$	1.4815	
London:		
$	1.486	(1.473)
DM	2.4875	(2.4675)
FFr	8.6825	(8.6175)
SFr	2.19	(2.1725)
Y	161.25	(159.5)
£ Index	80.5	(79.9)
■ DOLLAR		
New York lunchtime:		
DM	1.67855	
FFr	5.858	
SFr	1.4773	
Y	108.475	
London:		
DM	1.6735	(1.675)
FFr	5.8425	(5.85)
SFr	1.4735	(1.475)
Y	108.4	(108.2)
$ Index	66.1	(Same)
Tokyo close Y 108.40		

Austria	Sch39	Greece	Dr300	Lux	LFr65	Qatar	QR12.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 3.75	Slovak Rp	KSL45
Cyprus	C£1.00	India	Rs40	Nigeria	Naira45	South Africa	R12.00
Czech Rp	CZK45	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta210
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Egypt	E£4.50	Japan	Y500	Pakistan	Rs35	Switz	SFr3.20
Finland	FM12	Jordan	JD1.50	Philippines	Pso45	Syria	S£50.00
France	FFr9.00	Kuwait	Fils600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L6000
						UAE	Dh11.00

US plans drive to open up overseas financial markets

By George Graham in Washington

Bentsen supports legislation to free up domestic banking

THE US Treasury plans a drive next month to try to open up financial services markets in key Asian and Latin American countries.

Mr Lloyd Bentsen, the US Treasury secretary, said the Clinton administration would work to level the playing field for US banks and financial service companies.

"Too often the playing field looks like the Rockies. Barriers – both formal and informal – prevent US firms from entering markets on an equal footing with their competitors," Mr Bentsen said in a speech yesterday to the Center for National Policy, a Washington think-tank.

Mr Bentsen said the US's highest priority was a multilateral agreement in the Uruguay Round of trade talks that would open financial markets on a non-discriminatory basis.

"But we have made it clear that we will not agree to lock our markets open on a Most Favoured Nation basis, unless or until other countries commit to open their markets to US financial institutions," Mr Bentsen said.

"We are prepared to guarantee national treatment and full access to countries that commit to open their markets. And, we are prepared to guarantee their existing operations in our market. But we will not assure countries that keep their markets closed the right to expand operations here, or to take advantage of new powers or benefit from future reforms," he added.

Mr Jeffrey Shafer, the assistant Treasury secretary for international affairs, is to travel to a number of countries to warn them they must do more to unlock existing barriers to US financial institutions.

To lend force to Mr Bentsen's speech, the administration yesterday threw its weight behind the fair trade in financial services bill being sponsored in Congress by Senator Donald Riegle.

The legislation would empower – but not compel – the US government to deny the right of further expansion to banks and financial institutions from countries which did not offer equal access to US institutions, within the constraints of the Uruguay Round.

Senator Riegle hopes to pass a bill before Congress goes into recess at the end of the month. In the House of Representatives, however, aides warn that the measure is unlikely to pass before next year.

Such a measure has been passed before by both chambers, but ran aground on procedural difficulties. It parallels retaliatory mechanisms contained in the European Community's second banking directive, and is not expected to cause difficulty to banks from European countries.

Mr Bentsen said the US was focusing on access to Japan for pension fund management and corporate underwriting.

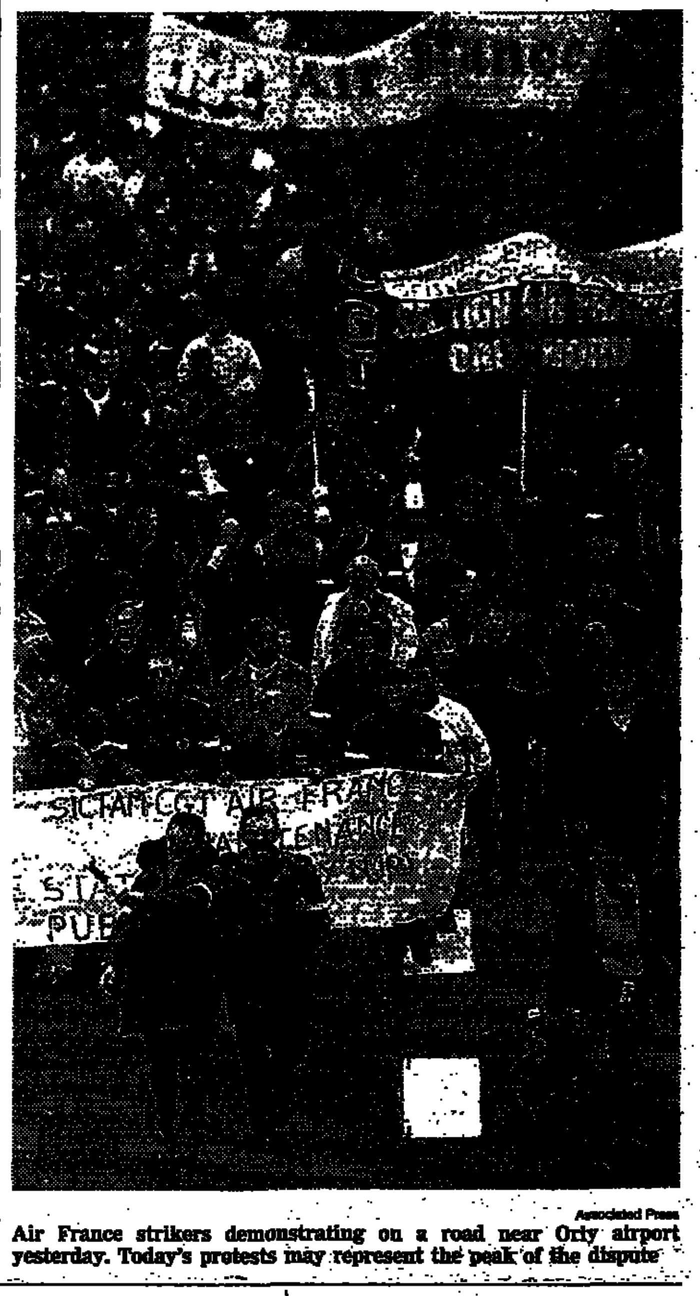
The Treasury secretary also called for legislation to allow US banks to open branches outside their home states.

"The basic approach would be to let banking organisations convert existing multi-bank, multi-state operations into a single bank, multi-branch operation," he said.

Richard Waters adds from New York: US banks gave only a subdued welcome to this initiative. Few restrictions remain on their ability to operate across the US through separate subsidiaries, although the ability to branch across state lines would reduce the cost and complexity of nationwide banking.

On the other hand, the banks fear that a debate over branching would open up a new opportunity for insurance agents to lobby against banks' involvement in selling insurance products.

Former transport head chosen to succeed Attali



Associated Press

Air France strikers demonstrating on a road near Orly airport yesterday. Today's protests may represent the peak of the dispute

Air France strike to continue despite backdown

By John Ridding in Paris

AIR FRANCE ground staff yesterday voted to continue striking at least until tonight, in spite of the French government's decision to withdraw a controversial cost-cutting plan which has triggered a crippling strike at the airline.

The vote in favour of continued action means that a broader protest planned for today, dubbed "Black Tuesday" by the French press, is expected to go ahead. Ground staff are due to be joined in a 24-hour strike by Air France pilots and cabin crew as well as many union members at Air Inter, the national carrier's domestic airline subsidiary, and Aéroports de Paris, the airports operator.

Today's protest may, however, represent the peak of the dispute. Force Ouvrière, one of the union groups which has spearheaded the protest, said its members could return to work tomorrow.

The task of resolving the dispute and negotiating a new recovery plan for the lossmaking airline will fall to Mr Christian Blanc, chosen by the French government last night to succeed Mr Bernard Attali. Mr Attali resigned on Sunday when the government scrapped his proposed austerity measures, which included 4,000 job cuts by the end of next year and cuts in overtime pay and bonuses.

Mr Blanc, the former head of RATP, the urban transport operator which runs the metro and bus system in Paris, is expected to be confirmed officially in his new post on Wednesday. Ironically, he resigned from RATP last winter following after a strike in which he failed to secure government support.

The news of Mr Blanc's appointment coincided with the resignation of Mr Jean-Cyril Spinetta, chairman of Air Inter, yesterday. It is the dispute's second

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EC economy may grow by 2% in 1994

By Andrew Hill in Luxembourg

THE European Community has passed the low point of the recession, the EC's economic affairs commissioner said yesterday.

Mr Henning Christophersen said that if forecasts of German recovery next year proved accurate, the EC economy would grow faster than the Commission had forecast.

"We have seen the bottom and we are on the way up," he told journalists at a meeting of EC finance ministers in Luxembourg.

His comments provided an upbeat start to a busy week for the Community, ending on Friday with a summit of EC leaders in Brussels.

But ministers agreed they should maintain efforts to promote growth and employment. According to EC forecasts, even if the German economy lives up to economists' expectations next year, the EC economy will not expand enough to put very many of the Community's 18m jobless people back to work.

Mr Piero Barucci, Italian Treasury minister, said nothing had altered gloomy employment prospects for Europe.

A report from Germany's six leading economic institutes published yesterday says the German economy should grow 1.5 per cent next year. This year it is expected to shrink 1.5 per cent.

Mr Christophersen said the commission was "encouraged" by the forecasts. Brussels has predicted that the EC economy will grow by 1.25 per cent this year, and by between 1 and 1.5 per cent in 1994. But Mr Christophersen said that if German forecasts were accurate, the EC economy could grow by as much as 2 per cent next year, signalling the beginning of the end of recession.

Ministers yesterday discussed increasing the number of infrastructure projects eligible for funds from an Ecu5bn ($9.36bn) temporary lending facility from the European Investment Bank. So far only Ecu3bn of loans have been granted.

Mr Kenneth Clarke, UK chancellor of the exchequer, stressed yesterday that governments should be careful to restrict their intervention to areas where they could be effective, such as limiting inflation and budget deficits.

Mr Gert Haller, state secretary at the German ministry of finance, also said Europe's

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Major rejects Sinn Fein's proposal for IRA ceasefire

By Philip Stephens, in London

THE British government angrily rejected yesterday a proposal from Mr Gerry Adams, leader of Sinn Fein, for a conditional ceasefire by the IRA.

It accused Mr Adams of "sickening hypocrisy" and set an unconditional and permanent end to violence as a precondition for the IRA and its supporters to be brought into any negotiations on the future of Ulster.

As the weekend massacre of protestant civilians in Belfast's Shankill Road was followed by a bomb attack on a mainland railway line, Mr John Major, the UK prime minister, came close to dismissing the initiative drawn up with Mr Adams by Mr John Hume, leader of the nationalist Social Democratic and Labour Party. But the government was careful not to extend its denunciation to Mr Hume's role in preparing the proposals.

Mr Adams suggested a positive response from the London government to the Hume-Adams proposals could bring an IRA ceasefire. But at the Commonwealth summit in Cyprus, Mr Major retorted: "I am not going to do deals with people who plant bombs and kill innocent people."

That view was reinforced in the House of Commons by Sir Patrick Mayhew, the Northern Ireland Secretary, as the latest IRA attacks brought universal condemnation from government and opposition MPs.

In a sombre denunciation of the Belfast bombing – which killed nine Protestant civilians as well as one of the terrorists – Sir Patrick said: "Next to the sickening quality of what was done to people in the Shankill on Saturday has been the sickening quality of the hypocrisy of Mr Adams." The condition for dialogue with Sinn Fein and the IRA was an end to violence "without condition and forever".

The Northern Ireland secretary, however, did not criticise Mr Hume's contacts with Mr Adams. Instead he "saluted" him for his courage in seeking a settlement. This reinforced the view at Westminster that the government is anxious not to detach the SDLP leader from its own attempts to negotiate with Dublin a new framework for a political settlement in the province.

Senior ministers said they saw no real prospect of the Hume-Adams proposals leading to a lasting settlement, but could not afford to reject them out of hand before they had been formally presented by Dublin.

Mr Hume said the British government could not afford to reject a set of proposals which had as their objective a "lasting peace and total cessation of violence". But Mr Major underlined the gulf between the two sides by accusing Mr Adams of blackmail: "If Mr Adams can end the violence then he should end the violence now without preconditions, without any delay... and without any proposals which sound to me tantamount to blackmail."

Sir Patrick's statement, which won the broad approval of the opposition Labour and Liberal Democrat parties, came after another rise in Belfast's sectarian death toll when a Catholic taxi driver died of gunshot wounds inflicted at the weekend by loyalist terrorists.

The IRA also brought chaos to the rail network in southern England after detonating a bomb on the main line from London to the west of England. Two bombs were placed in Reading, one exploded but the other was defused. Police said that the second blast had been calculated to kill workers from the emergency services responding to a coded warning of the first bomb.

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EC's limit on duty-free gifts doubled

By Andrew Hill in Luxembourg

EUROPEAN Community finance ministers yesterday doubled the value of duty-free gifts which travellers within the Community will be able to bring home from the beginning of next year.

The ministers agreed to increase the outdated Ecu45 (£35) limit on duty-free purchases of watches, camera equipment and other gifts, to Ecu90. They also increased the tax-free allowances for gifts bought outside the Community from Ecu45 to Ecu175.

Yesterday's deal leaves the allowances for duty-free wine, spirits and tobacco unchanged, but it will provide a consolation for EC duty-free shops as they wind up their EC activities. Duty-free shopping on journeys within the Community will end on June 30, 1999.

The European Commission had resisted prolonging duty-free sales within the EC, because it believed limits would be difficult to enforce once internal controls on goods were abolished on January 1, 1993. However, ministers agreed last year that duty-free shops could police the system themselves until its abolition in 1999.

German objections to an increase in duty-free limits were overcome yesterday, after ministers agreed that Germany could enforce lower travellers' allowances at borders with Poland and the Czech Republic to avoid fraud.

Ministers also discussed ways of harmonising tax on investments and savings across the Community, although such a system is some way off. In 1989, the Commission proposed harmonising such taxes at 15 per cent to end the flight of private savings to EC countries with low or non-existent taxes.

Mr Philippe Maystadt, Belgium's finance minister, who chaired the meeting, said an existing working group would now examine how to build a system which could include countries where tax is withheld at source, and countries which oblige banks to declare interest earned on savings.

'Social dumping' fears over Emu

THE European Community's move to economic and monetary union threatens to enshrine social inequalities between one country and another, according to a draft European Commission policy paper on social policy, Reuter reports from Brussels.

"It would be foolish to deny that Emu would be a serious challenge to social policy matters," says the green paper, drawn up by social affairs commissioner, Mr Padraig Flynn.

"The Community should pay the greatest attention to any possible negative social effects of the integration process, in particular the risk of dumping."

The threat of adverse effects underlined the need to counter a spread of "social dumping", whereby companies relocate to countries where social costs are cheaper, by harmonising social legislation in step with convergence of government monetary policies under Emu.

"Yes we are worried... We do believe that if we do want to avoid dumping we need EC social legislation," an official for the European Trade Union Confederation said. He said "social dumping" had taken place and could spread under Emu. However, the European employers' group, Unice, said complete harmonisation of social systems is not a necessary condition for progress towards the objectives of the Maastricht treaty.

Community gets reform warning

PORTUGAL and Spain said yesterday they opposed any changes to European Community institutions before four new members are admitted by 1996, Reuter reports from Brussels.

The Portuguese foreign minister, Mr Jose Manuel Durao Barroso, said after talks with his Spanish counterpart, Mr Javier Solana: "The Community can't function in the same way with 16 as it did with 12. But we don't think this is a convenient time for great institutional changes," he said. Mr Solana said he agreed.

Mr Durao Barroso earlier expressed his opposition to immediate changes in the EC's administrative structures in an article published on Monday in the Lisbon newspaper Publico.

Some member states, including Britain, want changes in the way the EC functions before it welcomes in Finland, Norway, Austria and Sweden. Britain has argued that the rotation of the presidency of the EC should be changed to ensure that the troika of present, previous and succeeding presidents should not be dominated by a series of small countries or by countries from the same geographical area.

Brussels drops cement case

The European Commission has terminated proceedings against the British Cement Association and three of its member companies in connection with allegations that they infringed EC competition laws at national level, writes Andrew Baxter.

The Commission had begun proceedings in 1991 against the association and Blue Circle, Castle Cement and the Rugby Group. Allegations centred around a "common price and marketing agreement" which had been terminated in 1987.

Air France retreat worries Italy

By Robert Graham in Rome

The French government's climbdown over cost-cutting measures at Air France, the national carrier, has been viewed with concern in Italy where the government is planning similar cuts in loss-making, state-owned industries.

The government is committed to a broad programme of privatisation and restructuring, and this autumn faces labour unrest over jobs threatened in the chemicals, defence and steel sectors as well as public transport.

The position of Air France management has particular relevance for Alitalia. The loss-making airline has seen its plans for an early return to profit undermined by the recession and posted a half-year loss of L216bn (£90m). Last week plans were leaked of a restructuring scheme that involved the loss of more than 1,000 jobs among ground staff in plus a renegotiation of pay claims already agreed for 1994 for the flight personnel. Alitalia presently employs 21,000 people. Pilots risk losing their bonuses while cabin crew could have their pay frozen.

These moves are expected to be strongly resisted by Alitalia staff. The latter claim that only since 1990 have their pay levels been brought up to the norms of other European carriers such as Air France.

However, a strike planned for today by the air transport sector protesting against proposed cuts in Alitalia and its subsidiary, Ati, was called off yesterday. This was after assurances were received from IRI, the state holding company that controls Alitalia, that a meeting would be held on November 5 to hear the union point of view.

The protests over threatened job cuts across state-run industry have taken the form of factory occupations and the blocking of roads and railways. Over the weekend police removed by force a group of unemployed protesters who had occupied Naples cathedral. A four-hour general strike is due on Thursday to protest against the failure of the 1994 budget to provide sufficient funds to combat unemployment.

Unlike his French counterpart, Mr Carlo Azeglio Ciampi, the prime minister, is not an elected politician and heads a government with a limited mandate that is largely composed of technocrats. Mr Ciampi's room for political manoeuvre in dealing with labour unrest is strictly circumscribed; while the need to curb public spending has reduced the scope for financial palliatives.

Trades union representatives said yesterday they were firmly against any form of violent protest but could not always control grassroots frustration over rising unemployment.

Last month, the union leadership was considerably embarrassed by the violent take-over by workers at a petrochemical plant at Crotone in southern Italy.

London may host new Yugoslav talks

By Laura Silber in Belgrade and agencies

THE United Nations is considering whether to convene a new round of peace talks in London to end the civil war in former Yugoslavia, the UN secretary general, Mr Boutros Boutros Ghali, said yesterday.

Mr Boutros Ghali said after talks in London with the British foreign secretary, Mr Douglas Hurd, that the conference would need careful preparation as well as the approval of all the warring parties in ex-Yugoslavia and the participants of last year's talks in London.

"We are still preparing the idea. We believe that this idea may help us to find a solution," Mr Boutros Ghali said.

He said he held exploratory talks on Monday with the Norwegian mediator, Mr Thorvald Stoltenberg, who is the UN envoy in the Yugoslavia peace talks, and would meet him again today.

Mr Hurd said the other mediator, Lord Owen, who is the representative of the European Community, approved of the idea of a new London conference and would discuss it with EC foreign ministers when they meet in Luxembourg today.

"There's no good calling a conference tomorrow with no guarantee it is to succeed. So it needs careful preparation and that's what its receiving." Hurd said.

Lord Owen meeting the new Greek foreign minister, Mr Karolos Papoulias, in Athens yesterday Reuter

In fighting in Bosnia yesterday a Danish lorry driver was killed and nine other UN workers wounded when their relief convoy was caught in crossfire between Croats and Moslems in central Bosnia.

In Sarajevo, up to 13 people were injured in an attack on a market amid an upsurge in shelling by Serb forces on Mount Zuc, north-west of the capital, Bosnian radio said.

The Bosnian president, Mr Alija Izetbegovic, yesterday named his foreign minister, Mr Haris Silajdzic, to the vacant post of prime minister and also included him in the republic's collective presidency.

His appointment may reflect intensified efforts to reach a settlement with Serb adversaries as Mr Silajdzic, a Moslem, is the key figure for bilateral negotiations with the Bosnian Serbs. He was singled out at the weekend by Mr Momcilo Krajisnik, a Bosnian Serb leader, for "having turned around and understood reality".

Meanwhile, relief operations of the UN High Commissioner for Refugees suffered a severe setback when two convoys, escorted by British armoured vehicles, were hit by machine-gun and mortar fire as they crossed a frontline south of Novi Travnik.

Another Danish driver was wounded and eight Dutch soldiers accompanying the military supply convoy were hurt.

Mr Nicholas Morris, a UN spokesman, said in Zagreb, the Croatian capital: "Such an attack is totally unacceptable... everyone knows that this is a vital road for the survival of all communities in central Bosnia."

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Dissent at the heart of German forecasting

Quentin Peel on how one of the six economic research institutes differs on analysis and policy implications of continued stagnation

FOR THE first time in more than six years Germany's independent economic research institutes yesterday had to agree to disagree in their economic forecasts.

The Berlin-based Deutsches Institut für Wirtschaftsforschung (DIW) produced its own figures in an addendum to the report of the majority, suggesting that, far from a recovery in the German economy next year, it will continue to stagnate.

The disagreement between the DIW and the other five institutes which jointly produce the biannual economic forecasts goes to the heart of economic, financial and monetary policy in Germany.

The five expect an overall economic recovery, with a 1.5 per cent growth rate in the all-German figures – with 1 per cent in the west, and 7 per cent in the east. The DIW opts for a fall of 0.5 per cent in the west, (compared with a fall of 2 per cent this year), and a rise of only 5 per cent in the east (compared with a 5.5 per cent rise in 1993). For Germany as a whole, the DIW forecasts mean zero growth for 1994.

Far from expecting a gradual but appreciable recovery fuelled by private investment, the DIW fears that long-term investment will continue to decline, and that the turning point will come – at the earliest – around the middle of the year.

The institute concludes that instead of continuing to squeeze public sector spending, the government should switch to an investment stimulation programme. And the Bundesbank, far from continuing its *slow but steady reduction in* short-term interest rates, should accelerate the pace.

At the heart of the DIW argument, presented yesterday by Mr Heiner Flassbeck, the institute's chief economist, is the persistent inverse structure of German interest rates: short-term rates, dictated by the Bundesbank's Lombard and discount rates, have remained stubbornly higher than the long-term capital market rates.

That means that short-term financial instruments remain *more attractive for investors* than long-term investments. The reason is a lack of adequate demand for long-term money.

The DIW estimates that a reduction in the gap between short- and long-term rates would not be adequate to revive long-term investment activity. "Only with a normalisation of the interest rate structure will the economy be given the necessary impetus for growth," it says.

Long-term rates have fallen because overall demand for *capital has fallen faster than* the supply of capital: industry is looking for less long-term capital to invest, because of depressed profit expectations.

As long as those profit expectations remain depressed, Mr Flassbeck argues, there will be no revival in investment, and it is up to the public sector to provide the necessary economic stimulus. Far from concentrating on reducing the public sector share in national income, as urged by the other institutes, the Bundesbank, and the government, it should *be providing a stimulus.*

Structural cuts in public sector spending – such as the social spending cuts proposed by the government – should be carried out as soon as economic recovery is under way, but not before, he says.

The other five institutes – from Essen, Halle, Hamburg, Kiel, and Munich – are still critical of the government's financial and economic policy, but their analysis differs. "For a long time such policy has consisted of no more than ad hoc measures, *without any medium-term concept,*" they say.

"Financial policy is in an extremely precarious position." They forecast a 5 per cent growth in public sector spending this year and next, with an increase of only 3.5 per cent in tax and social security revenues. The result will be an increase from DM78bn (£31.7bn) to DM107bn in this year's public sector deficit (including the federal states as well as the central government).

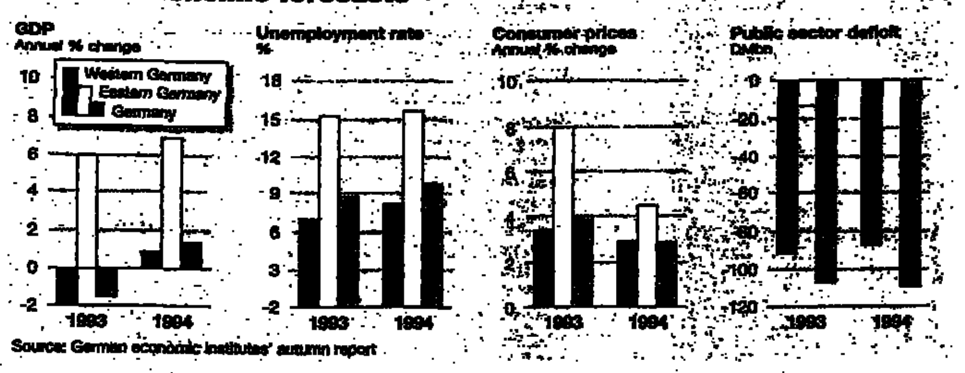
The key reason is the level of transfers *to east Germany, rising* from DM150.3bn in 1992, to almost DM163bn this year and DM165.5bn in 1994, they say, as well as soaring unemployment benefit as jobless numbers approach 4m.

At the same time, revenues will be squeezed by the economic downturn.

The five institutes call for a clear medium-term financial strategy, beyond the scope of the immediate social spending plans agreed by the government. They believe that the proportion of state spending must be clearly reduced to allow the attraction of private sector investment to increase.

The DIW disagrees. The immediate danger is not of a lasting increase in public spending. Such spending is dictated by the temporary needs *of east Germany. But the current* recession will only be aggravated by excessive cuts in public spending, before a recovery in private investment is in sight.

German economic forecasts



Source: German economic institutes' autumn report

INFLATION in two key west German states edged upwards in the month to mid-October, although year-on-year price increases appeared to be steadying, according to preliminary figures published yesterday, writes Christopher Parkes in Frankfurt.

Prices in North Rhine-Westphalia, the most populous state, rose 0.2 per cent in the review period and were 3.7 per cent up on the year, compared with 3.8 per cent in September. Wealthy Baden-Württemberg reported a 0.3 per cent month-on-month rise for an annual rate of 4.1 per cent, unchanged from September.

Yesterday's numbers showed that rents and services – up around 6 per cent in both regions – are still providing most impetus to price rises, while insurance costs have also risen markedly.

North Rhine-Westphalia's statistics office said local inflation for the first 10 months of the year was 4 per cent. Latest estimates from the Bundesbank suggest the west German rate will be below 4 per cent before the end of the year.

Pawlak picks Polish cabinet

By Christopher Bobinski in Warsaw

POLAND'S *prime minister*, Mr Waldemar Pawlak, yesterday named a new cabinet which he is expected to present to President Lech Walesa today. Approval is still uncertain.

Mr Pawlak heads the Polish Peasants party (PSL). If he has his way, Mr Marek Borowski, a former internal trade minister from the Left Democratic Alliance (SLD) – the PSL's coalition partner – will become deputy premier responsible for the economy.

It is yet to be decided whether the post would be linked with that of finance minister or whether the latter would be filled by Mr Henryk Chmielak, an accomplished financial administrator who is Poland's commercial counsellor in Moscow.

Mr Wlodzimierz Cimoszewicz, *a supporter of the post-*Communist SLD, has been named justice minister and deputy premier responsible for social policy. Mr Alexander Luczak, from the PSL, would be the education minister and deputy premier with responsibility for defence, and internal and foreign affairs. These are the three portfolios over which the constitution gives the pres*ident special powers.*

Mr Andrzej Milczanowski would continue to serve as interior minister, while Mr Andrzej Olechowski, a former finance minister, would take over at the foreign ministry. Admiral Piotr Kolodziejczyk, defence minister in 1991, is expected to return to head the armed forces.

Paris puts on brave face over UK's nuclear 'Non'

By David Buchan in Paris

FRANCE claimed yesterday it would not let disappointment at the UK government's decision to cancel an air-launched missile project affect its desire for closer Anglo-French nuclear co-operation.

Paris had hoped London would join it in extending the *range of an existing* Aérospatiale air-fired missile into a nuclear weapon for both countries' air forces, in order to share costs.

But last week the UK, with an even stronger desire to save money, decided to abandon any such idea and to rely instead solely on its Trident nuclear submarines.

At a joint Paris news confer*ence with his UK counterpart,* Mr Malcolm Rifkind, France's defence minister, Mr François Léotard, said diplomatically "we take note of it [the British decision], but we think it would be a pity to sacrifice what has been achieved in the nuclear dialogue between France and Britain over the past two years".

Both ministers praised the usefulness of this dialogue, *which has focused chiefly on* such issues as how and against whom Europe's two nuclear powers might consider using their atomic arsenals, as well as questions of nuclear non-proliferation and testing.

Mr Rifkind, who later today will visit France's nuclear submarine base at Brest, was slightly more open than UK ministers have been on the *eventual possibility of the two* countries' nuclear submarines patrolling together, saying "discussion on this could not be excluded in the weeks and months to come".

However, a French official said yesterday: "With the British, it is always the same – the courtship is fine, but we never get into bed."

Collaboration on conventional arms is easier, with the UK, France and Italy committed to building frigates together. Earlier yesterday, Mr Léotard took Mr Rifkind to his southern mayoralty of Fréjus and to Eurocopter, the Franco-German joint venture which hopes to sell its Tiger anti-tank helicopter to the UK. Mr Rifkind said it would take the UK a year from now to make its helicopter decision.

With his defence review drawing to a close, Mr Léotard said the new French government accepted a closer relationship with a reformed Nato, but gave no indication this might allow him to start attending regular Nato meetings.

Mr Léotard said France had "an open attitude" to the possibility of extending Nato to east European countries, but felt that the Western European Union, converted by the Maastricht treaty into a defence arm of the EC, had to play a role.

NEWS IN BRIEF

Citroën to shed more employees

Citroën yesterday said it was cutting 1,180 jobs from its 30,000 workforce in response to the depressed state of the European car market, writes John Ridding in Paris. They will be in addition to the 860 still to be shed as part of previous rationalisation plans by the French car company.

Most of the reduction is expected to be accomplished through early retirement, part-time employment and relocation of employees.

The French car market *is forecast to contract by about* 16 per cent this year in volume terms.

Cragnotti inquiry

Mr Sergio Cragnotti, the Rome businessman closely-linked to the Ferruzzi family, has been advised he is under investigation for alleged falsification of financial information, writes Robert Graham in Rome.

The move coincided with police raids on Mr Cragnotti's offices in Milan and Rome and the removal of documents for inspection by Ravenna magistrates. The latter, along with Milan magistrates, are conducting twin investigations into the affairs of the collapsed Ferruzzi empire, Italy's second largest private group.

Mr Cragnotti, chairman of the Lazio football team, currently runs his own agri-business and foodstuffs trading company.

Romanian inflation

Consumer price inflation in Romania jumped to 291 per cent in September, its highest year-on-year rate since 1991, according to the National Statistics Commission, writes Virginia Marsh in Bucharest. Inflation had averaged 12 per cent a month in the first nine months.

Dutch TV venture

The European Commission has cleared a joint venture between Dutch PTT Telecom and Nederlands Omroepproductie Bedrijf, the country's main television facilities house, Reuter reports from Brussels. The new company will provide satellite news gathering services.

Ukraine assures US about its atomic weapons

By Jill Barshay in Kiev

UKRAINE'S President Leonid Kravchuk has assured Mr Warren Christopher, the visiting US secretary of state, that his republic is committed to becoming a non-nuclear power.

However, his foreign minister, Mr Anatoly Zlenko, has reiterated that Ukraine cannot dismantle all its nuclear weapons without \$2.8bn of western assistance.

While Mr Christopher reported that the Ukrainian parliament intends to ratify the Strategic Arms Reduction Treaty (Start 1) next month in November, it is still unclear when it will dismantle its 1,656 nuclear weapons or accede to the Nuclear Non-Proliferation Treaty as a non-nuclear power – something President Kravchuk agreed to in 1992. Ukraine is currently the third largest nuclear power in the world.

In addition to financial assistance, Ukraine is looking to the US for security guarantees to protect its borders from neighbouring Russia through "an *expansion of Nato*". Said Mr Zlenko: "The sooner we receive aid and guarantees, the sooner Ukraine will follow through with its commitments."

Mr Christopher responded that "security assurances would certainly be within contemplation", once Ukraine became non-nuclear.

An agreement was expected to be signed last night to release \$175m for Ukrainian nuclear dismantlement.

At yesterday's news conference two small accords were also announced for enhancing the safety of Ukrainian nuclear power stations and for establishing a science and technology centre to keep highly-trained Ukrainian nuclear scientists well-paid and working in the republic.

Mr Christopher also came to promote economic ties between the two nations, offering \$156m in agricultural credits and technical assistance for 1994. The US plans to expand trade and private investment through lowering tariffs on Ukrainian goods and helping the republic join the General Agreement on Tariffs and Trade.

Reuter adds from Washington: President Bill Clinton said yesterday he would continue to press Ukraine to dismantle its nuclear arsenal.

"I understand their position, but I think it is not justified because we are making progress with Russia too in complying with all these agreements," he said.

Spanish doubt on further cut in interest rates soon

By Tom Burns in Madrid

SPAIN'S economy and finance minister, Mr Pedro Solbes, has warned that benchmark interest rates in Spain, now at a historic low of 9.25 per cent following cuts last week, are unlikely *to fall further* in the immediate future.

In an interview with the Madrid business newspaper Expansion to be published today, Mr Solbes said: "In the present conditions we have pretty well reached the limit on interest rate reductions. It is difficult to determine the absolute limit but we are pretty close to it."

He added, *however*, that external factors such as a further cut in French interest rates and a fall in German inflation could give Spain's monetary authorities "a certain room for manoeuvre".

The only domestic factor that would allow a lowering of Spanish rates, Mr Solbes said, would be an agreement on wages restraint and on reform of the rigidities of the labour market.

Discussions between the government, employers and unions on an incomes policy and on the labour laws are due to begin tomorrow.

None of the three parties in the talks holds much hope for an agreement but Mr Solbes issued a clear warning that the government was determined to bring about wage restraint as well as labour market changes aimed principally at reducing the cost of dismissing employees.

Mr Solbes said that although the government preferred to negotiate these issues it would act unilaterally if necessary and bring the required legislation before parliament by the end of next month. The government would "not renounce" its plans to peg salaries to below the inflation index over the next three years. Overhaul of labour legislation was also "an essential point" of the government's policy.

Israel begins to free Palestinians

By Julian Ozanne in Jerusalem

Palestinian women at a demonstration yesterday hold pictures of their detained sons and husbands Reuter

ISRAEL yesterday freed hundreds of Palestinian prisoners at the beginning of a mass release aimed at bolstering the Israeli-Palestinian peace process and winning over Palestinian opponents.

However, Mr Yitzhak Rabin, Israel's prime minister, cancelled the release of members of the Islamic fundamentalist Hamas and Islamic Jihad movements, after the abduction and killing of two Israeli soldiers in the occupied Gaza Strip on Sunday by the Hamas' military wing.

Both groups reject the peace accord and have vowed to fight against it. Mr Rabin also told a parliamentary committee that "prisoners with blood on their hands will not be released".

By the end of today Israel plans to have freed up to 700 prisoners, mostly the sick, women, youths and men over 50, as a first step in the phased release of up to 14,000 Palestinians held in Israeli jails.

Most of those released this week have been imprisoned on minor "offences" such as membership of a banned or "hostile" organisation, demonstrating and throwing stones.

Thousands of relatives crowded at the Eretz checkpoint crossing into Gaza and cheered as buses delivered prisoners to their freedom. Palestinians in the West Bank and Gaza closed stores and observed a one-day strike to press for further releases.

The Palestine Liberation Organisation sees the release of prisoners as key to confidence-building between the two sides in talks on implementing the peace accord which resume in the Egyptian Red Sea resort of Taba today. The PLO is demanding a much swifter release of all prisoners held on non-life threatening charges and is calling for the release of prisoners of all groups, including Hamas and its leader Sheikh Ahmed Yassin.

The release of Hamas activists, however, has drawn a barrage of criticism from the Israeli public. Opposition to the freeing of Hamas prisoners is likely to grow after the incident in Gaza on Sunday and release yesterday of a leaflet by Hamas which called the killing of the two soldiers their "gift to the peace process" and proclaimed: "There is no peace between us and the Israelis except in the cemetery."

Despite the PLO's insistence on the release of all prisoners regardless of their political affiliation, Israeli officials believe there is a growing opportunity to drive a wedge between moderate and secular Palestinians, who support the peace process, and the rejectionist and Islamic fundamentalist groups opposing it.

Mr Rabin also told the parliamentary committee yesterday that Palestinian attacks against Israelis had fallen dramatically since the signing of the peace accord last month.

Attacks in Gaza were down this month to 30, from 60 in September, and in the West Bank to 44, from 59 last month.

Commonwealth seeks to push role of reform

By Michael Holman in Limassol

THE COMMONWEALTH last night moved to carve out a a new role for itself as a pressure group for international economic and political reform.

In a communiqué at the end of the five-day biennial summit, the Commonwealth leaders called for urgent trade reform, improved debt relief terms for poor countries and action on human rights.

The conference was the first for 30 years not to be dominated by South Africa, and the 50-member body was seeking a new cause.

It was also coming to terms with its limitations, acknowledging that its capacity to resolve even its own members' disputes, whether Cyprus or Kashmir, is often slight.

South Africa remained high on the agenda, with the conference communiqué welcoming the fact that the changes undertaken marked the "irreversible" ending of apartheid, but warning that the transition to a democratic government was "fragile". Commonwealth leaders announced plans for a 60-70 strong team to help monitor next April's scheduled general election. But talks on South Africa were free of the tension and acrimonious exchanges that characterised the sanctions campaign.

Instead, Mr Paul Keating, Australian prime minister, together with Mr John Major, his UK counterpart, helped galvanise the Commonwealth into action on trade, with talks dominated by ways of securing a successful end to the Uruguay Round of world trade talks by the mid-December deadline. As a result, a Commonwealth delegation of trade ministers is to tour the world's leading capitals to press the case for agreement.

The other key issue was debt relief. Mr Major urged a write-off of up to 80 per cent of official debt of developing countries embracing economic reform programmes endorsed by the World Bank and IMF.

The communiqué also promised renewed emphasis on the need for democracy and respect of human rights among member states, but it resisted suggestions that members should be monitored and violations publicised.

Mr Thabo Mbeki, ANC chairman, invited the Commonwealth to be a watchdog in post-apartheid South Africa but the conference did not follow up his offer.

Other inconsistencies remain. A delegation from Chief Moshood Abiola, winner of Nigeria's annulled presidential poll last June, was refused a hearing, while delegates of the military – backed government took their seats.

Cameroon's application for membership will be accepted in 1995 provided it has met the Commonwealth's professed standards, yet when existing members such as Sierra Leone flagrantly breach them, they pay no penalty.

For all the body's shortcomings however, leaders still think it is worth their time: Ms Benazzir Bhutto felt the conference important enough to fly in just 48 hours after her victory in the Pakistan election.

Meanwhile, its numbers are growing. When the conference reassembles in 1995 South Africa will have rejoined, Cameroon could be re-admitted and Mozambique will almost certainly have its application on the table.

By then the observation of Mr Major will have been put to the test: "What we cannot do, we should not pretend to do. . . but what we do *decide to do*, we must do well."

He was talking about the UN, but the words apply with equal force to the Commonwealth.

British prime minister, Mr John Major, talks with Commonwealth secretary general Chief Emeka Anyaoku before yesterday's morning session of the Commonwealth conference Associated Press

Inside the prisons of the intifada

David Horovitz on life in the jails of the occupied territories

WELCOME to the detention centre, says the sign in Hebrew outside Gaza's Ansar II prison, presumably for the benefit of Israeli soldiers unfortunate enough to be stationed there.

Underneath, the same message in Arabic has greeted the thousands of *intifada* offenders who have passed through the gates since the Palestinian uprising against Israeli occupation broke out in late 1987.

Ansar II, in common with the other jails in Israel and the occupied territories where Palestinian prisoners are held, is a dump – a coastal sprawl of tents, concrete offices, barbed-wire fencing and olive-green watch towers.

It is a dump, though, that is nearing the end of its life. Under an agreement reached by Israeli and negotiators for the Palestine Liberation Organisation last Thursday, Israel yesterday released 700 Palestinian detainees – the old, the young, the sick and the women.

In the weeks and months ahead, almost all the 10,000 or so Palestinians now in jail are to be freed. Only a few hundred inmates "with Israeli blood on their hands" may be kept in custody.

Some of those identified with Yassir Arafat's mainstream Fatah faction of the PLO, such as Salim Zriri, released earlier this week after 23 years in Israeli captivity, may become leading supporters of the Israeli-PLO autonomy programme.

> Far from being a deterrent, a term in one of these centres is essential to the political credibility of any self-respecting Palestinian activist

Others, though, members of Hamas and the rest of the Palestinian rejectionist groups, will be the peace accord's most dangerous opponents.

Inside Ansar II, as at the other jails, the Fatah and Hamas inmates are kept strictly apart.

The bearded, sullen men of Hamas have the worst conditions, sleeping in crowded tents, crammed into a narrow compound that allows little space for exercise. Most of the Fatah detainees, by contrast, sleep in squat concrete buildings – also inside fenced-off compounds, but with more room to walk around, room, too, for table-tennis tables supplied by the Red Cross.

Ansar II is a holding jail with space for just a few hundred, a first stop for alleged offenders, from killers to graffiti artists. Brought in for questioning, they can then be held, tried, transferred or freed.

Life in the compounds is dull but not especially harsh. The Red Cross ensures that the food is good. The Israelis are non-intrusive beyond calling the prisoners together twice a day for roll-call: inmates squat on their haunches in lines, and bob up when their names are called.

But in a nearby interrogation centre, run by the Shin Bet security service, there are no niceties.

The first stage of a Shin Bet interrogation routinely involves a prisoner being blindfolded, handcuffed behind his back and left to stand outside for hours.

Those who don't co-operate can be kept for days, alone or in pairs, in tiny, filthy cells, defecating into plastic buckets. The Israeli human rights group, B'Tselem, has documented several cases of alleged torture by the Shin Bet at Ansar II.

Friday is visiting day. Long lines of anxious Palestinian mothers wait to spend a few minutes face-to-face – across a wire grill – with their sons. For most prisoners this is the only chance to leave the compounds; only the *shawish* – the Palestinian trusty in each compound through whom all communication with the Israelis is conducted – can move move freely around the jail.

The Israelis are not proud of Ansar II or the other prisons like it. When Israel television was preparing a news report on prisoner releases this week, it had to resort to archive footage of the Ketziot jail in the Negev Desert: the military authorities would not allow a camera crew inside any of the jails to shoot fresh film.

The Israelis are also acutely aware that the prisons have served only to re-inforce opposition to the occupation.

Far from being a deterrent, a jail term is essential to the credibility of any self-respecting Palestinian activist.

It is richly ironic that, with the dawn of Palestinian self-rule, many of those PLO loyalists now serving their final week inside Israeli jails may well soon be joining the Palestinian police force – working alongside the Israeli military authorities to ensure a smooth transfer of power from Israeli to Palestinian hands in the occupied territories.

The Israeli authorities do not normally allow reporters into prisons for Palestinians. David Horovitz saw Ansar II from the inside while serving there as an Israeli army reservist last year.

The Cyprus communiqué

The Commonwealth heads of government met in Cyprus from October 21 to 25. Of the 47 countries that attended the meeting, 36 were represented by heads of state.

■ Global Trends and Prospects

Heads of government welcomed continued easing of global tensions and expressed conviction that the United Nations was now better placed than ever before to fulfil its role. . . They underscored the complementary role which the Commonwealth and regional organisations could play in supporting the efforts of the UN.

They reaffirmed their commitment to democracy, fundamental human rights, the rule of law, the independence of the judiciary and just and honest government as essential ingredients of the Commonwealth's fundamental political values.

Democracy, development and respect for human rights and fundamental freedom were inter-dependent and mutually reinforcing.

Commonwealth leaders stressed the need to strengthen international security through disarmament and non-proliferation.

They noted the world economy faced grave uncertainties but believed the current climate of low inflation and declining interest rates presented opportunities for economic recovery.

They welcomed the broadening political consensus on market-friendly measures, combined with human resource development and poverty reduction.

They acknowledged special difficulties of sub-Saharan Africa and noted the performances of many countries were constrained by weak commodity prices and deteriorating terms of trade. Big efforts were still required throughout the developing world to overcome institutional, economic and financial barriers to stronger growth; they also recognised these reforms should be supported by an appropriate blend of adjustment and external financing.

They expressed disquiet at the continuing debt problems of many developing countries and called for measures to cut the debt burden to sustainable levels and for the full implementation of the Trinidad Terms.

They noted with concern that official development assistance had fallen in real terms and called for action to reverse the fall in aid flows.

Commonwealth leaders noted with appreciation numerous practical measures undertaken by the Secretariat to promote the Commonwealth fundamental political values, including monitoring elections in seven member states.

■ South Africa

Commonwealth leaders agreed that developments had marked irreversible progress to democracy.

They endorsed lifting of sanctions but the arms embargo would remain until a new post-apartheid government was established with full democratic control and accountability. But the communique recognised that the process remained fragile and agreed the pre-eminent need was to help ensure a united, non-fragmented, democratic and non-racial South Africa.

They agreed the Commonwealth Observer Mission to South Africa should remain in South Africa until after the election planned for April 1994 when the situation would be reviewed.

■ Mozambique

Leaders expressed concern at recurring delays in implementing the October 1992 peace accord and called on the Renamo opposition party to comply fully with its terms, including despatch of its personnel to UN-administered assembly points. They urged all concerned to co-operate in ensuring multi-party elections are held by October 1994 and called on Renamo to co-operate with the government in the speedy completion of an election law.

■ Angola

They deplored continuation of the civil war and called on Unita to end hostilities. Failure on the part of Unita to comply with UN Security Council resolutions on Angola would justify further sanctions and other measures.

■ Cyprus

Commonwealth leaders reiterated support for the independence, sovereignty, territorial integrity, unity and non-aligned status of the republic of Cyprus.

They stressed the importance of securing compliance with all the UN resolutions on Cyprus and emphasised the need for speedy withdrawal of all foreign forces and settlers from the republic of Cyprus, and the return of the refugees to their homes. They expressed concern over population change caused by the continued influx of Turkish settlers resulting in changes in the demographic structure of Cyprus.

Commonwealth leaders expressed deep disappointment that an agreement on a package of confidence-building measures has not been reached due to the negative attitude of the Turkish Cypriot side.

They supported the intention expressed by the UN secretary general that unless progress was made on the Cyprus problem he would request the Security Council to consider alternative ways to promote effective implementation of the Council's resolutions on Cyprus.

■ Middle East

Commonwealth leaders welcomed the agreement of 13 September 1993 between the government of Israel and the Palestine Liberation Organisation and expressed the hope that the momentum for peace would be sustained.

■ Bosnia-Hercegovina

They expressed deep concern at the continuing hostilities and violence and urged the international community to make all efforts to arrive urgently at a just, equitable and comprehensive political settlement based on strict adherence to Security Council decisions, international law and the preservation and protection of the legitimate rights and dignity of all the Bosnian community.

■ Belize

Support was reaffirmed for the security, sovereignty and territorial integrity of Belize. The Commonwealth leaders urged Guatemala and Belize to resume and successfully conclude their dialogue.

NEWS IN BRIEF

Hijackers seize Nigerian aircraft

HIJACKERS claiming to be supporters of Nigerian politician Moshood Abiola yesterday seized a Nigeria Airways Airbus with 149 people aboard, and demanded Mr Abiola's installation as president, airport officials at Niamey said. Reuter reports from Niamey.

Nigerian officials said there were five hijackers and that the chairman of the National Electoral Commission Okon Uya and former oil minister Jibril Aminu were on the aircraft.

Aides for Mr Abiola, widely believed to have won presidential elections last June which were annulled by the then-military government, said he had nothing to do with the hijack.

The hijackers freed 30 passengers and two hostesses at the airport in Niamey, the capital of neighbouring Niger, leaving 107 passengers and 10 crew aboard.

Iran curbs civil servants

Iran's parliament has passed a law banning government employees from a wide range of activities, including unauthorised contact with foreigners and membership in freemasons' organisations, according to Iranian Radio, Reuter reports from Nicosia.

The radio, monitored by the BBC, said the new law detailed a wide range of administrative offences and provided guidelines for professional conduct by government employees.

Rival Somali clans clash

Fighting broke out between rival clans in Mogadishu yesterday, scattering crowds marching to a planned peace rally, witnesses said, Reuter reports from Mogadishu.

Several Somalis were reported to have been wounded. Fighting broke out when guerrillas loyal to Mohamed Farah Aideed fired at the crowd as it neared the edge of his southern fiefdom. Gunmen from the north returned fire, some hurling grenades.

Terre Blanche convicted

A South African court yesterday convicted right-wing extremist Mr Eugene Terre Blanche of public violence during a demonstration against President F W de Klerk, Reuter reports from Johannesburg. Three white extremists were killed in clashes between right-wingers, police and black passers-by when Terre Blanche's Afrikaner Resistance Movement (AWB) tried to disrupt a speech by Mr de Klerk in August 1991.

Boost for Karachi shares

The KSE-100 index on the Karachi Stock Exchange, Pakistan's largest stock market, yesterday broke through the 1500 point level, after a week-long rise, writes Farhan Bokhari from Islamabad. The index gained 15.76 points on the day to close at 1501.44 in a rise which began last week, following Ms Benazir Bhutto's appointment as prime minister.

JAPANESE ECONOMY

Department stores post 6.7% decline in sales

By William Dawkins in Tokyo

INDICATIONS of a small pick-up in Japanese retail sales were yesterday disappointed when department stores reported a 6.7 per cent decline in sales for last month.

The year-on-year fall, for the 19th month running, came despite the apparent popularity of a series of sales drives in mid-September, the Japan Department Stores Association said. Demand from corporate buyers was weak, while private customers' sentiment was damped by the string of typhoons to hit Japan over the past month.

Further evidence of the extent of Japan's recession emerged on the first day of a three-day conference of regional managers of the Bank of Japan, the central bank. Companies across the country reported a sharp decline in export volumes because of the yen's strength, said managers. Corporate profits were still being revised downwards and demand for capital was weak.

Separately, Mr Hiroshi Kumagai, the minister of international trade and industry, hinted that if the economy failed to improve, the government would consider further pump-priming measures, on top of the two packages so far this year. He told Japan's foreign trade council that the packages did not appear to have worked well.

Indonesia's ruling party elects civilian chairman

By William Keeling in Jakarta

President Suharto: tightens grip on ruling Golkar party

INDONESIA'S ruling Golkar party yesterday sought to distance itself, at least publicly, from the military by electing a civilian as its chairman for the first time.

He is Mr Harmoko, currently Information Minister and a close confidant of President Suharto. The election, at the end of a five-day party conference, was backed by the president, who saw his own grip over Golkar tightened with the appointment of two of his children to its executive board.

Indonesian politics is a notoriously closed-door affair in which outsiders are given few clues as to what the changes in leading personnel mean.

Diplomats believe, however, that there is a growing rift between some armed forces officers and 72-year-old President Suharto over the choice of his eventual successor. As the ruling party will be instrumental in the emergence of the next leader, diplomats suggest the president is trying to reduce the military's role in Golkar.

The armed forces, however, remain the dominant political force in Indonesia and their members control many of Golkar's important provincial branches.

The promotion of civilians within Golkar's central leadership may cause some resentment.

In particular, the appointments of Ms Siti Hardiyanti Rukmana and Mr Bambang Trihatmodjo, children of President Suharto, to the 45-member executive board is likely to spark widespread debate.

Both have enjoyed successful business careers, establishing companies in the early 1980s which currently have a combined annual turnover of several billion dollars. Until now, however, they have kept a low political profile.

NEWS: WORLD TRADE

Japanese pledge on construction contracts

Gatt fears ease over procurement hurdle

By David Dodwell, World Trade Editor

SIGNIFICANT new offers to open up national procurement markets were tabled in Geneva yesterday, reducing concerns that disputes over the issue will jeopardise progress towards successful completion of the Uruguay Round of world trade liberalisation talks.

Japan tabled proposals to open up domestic construction contracts, both national and regional, to international competition. This has been a sticking point between Japan and the US in protracted bilateral negotiations in Tokyo in recent weeks.

The US has also bowed to European Community pressure to include sub-federal procurement business in the package being negotiated. A new US offer gave assurances that contracts from "entities from all 50 states" would be subject to foreign competition.

"The US has yet to say which entities these are, but inclusion of sub-federal bodies looks like good news," an EC negotiator said yesterday.

Officials in Geneva yesterday were perplexed by suggestions that disagreements over opening up the telecommunications sector had triggered a crisis in talks. On the contrary, they noted the US and the EC had agreed a memorandum of understanding in May this year hiving telecommunications off from the procurement package. A joint study of the sector is in progress, with a bilateral agreement targeted for March next year.

"It is true that telecommunications was formally withdrawn today," an EC negotiator said: "But that was purely a technical matter and a surprise to no one."

The US and EC have been sparring over government procurement rules for months. The US claims that bidding opportunities worth $16.8bn (£11.1bn) were offered to EC contractors under the Gatt government procurement code in 1990, compared with only $7.8bn in EC contracts open to US companies.

The EC agrees that, in absolute terms, the 1990 Gatt figures confirm the US is more generous; but Brussels officials argue the value of EC contracts open to US companies rose sharply between 1985 and 1990, while the value of US contracts fell over the same period.

Following withdrawal of telecommunications, talks have focused on three areas: access to contracts awarded by central government, ranging from works contracts to goods and services; access to similar contracts awarded by local or sub-federal bodies; and contracts in the utilities sectors, excluding telecommunications. These include electricity, gas, water and transport.

The EC yesterday "fleshed out" its procurement offer by detailing the 12,000 national and local bodies which would be subject to the agreement. Other countries had not yet presented such detailed offers, "but there seems a fair chance we can get substantial liberalisation at a sub-federal level", an EC negotiator said.

A US negotiator said the details of the US offer at a sub-federal level remained "very fluid", adding: "We are working intensively with states seeking commitments, but we don't want to force things on them."

Disagreements have also narrowed over the threshold level at which contracts will have to be opened up to competitive bidding, particularly in the construction sector. The US, which has consistently pressed for the lowest thresholds, has apparently raised its proposal closer to the majority preference for $4.5m per contract. More significantly, Japan has agreed to lower its proposal for a $15m threshold. It has not offered a new figure, which "is being negotiated internally", an official said in Geneva.

Carmakers to fuel new US export region

WHEN Mercedes Benz, the German luxury carmaker, recently chose Alabama as the site of its new American assembly plant, it joined an increasing number of manufacturers, large and small, that have identified the American south east as a good place to make and export their products.

Mercedes says its intends to export half the Range Rover sports utility vehicles it will produce in Alabama. BMW, its main German competitor, also aims to export about half of the new line of cars it will begin assembling in neighbouring South Carolina in 1995.

The two big car companies are likely greatly to lift the region's export figures. But exports from the south east have already been picking up in recent years as the region has undergone a transformation from a low-tech industrial backwater that once produced mainly for the domestic market.

Over the past decade pockets of high technology have developed and the motor industry, especially from Japan and Europe, has moved in to take advantage of its relatively low production costs.

While a number of the recent investors are multinational companies such as Nissan, Robert Bosch, and Michelin, which export routinely, many small and medium-sized local companies are discovering overseas markets, according to economic development officials and experts in the region.

Between 1991 and 1992, exports from eight south-eastern states – North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Kentucky and Tennessee – grew at more than twice the rate of the nation as a whole. Exports from south-eastern states rose 13.5 per cent, from $44.9bn to $51bn, while those for the nation as a whole grew a little more than 6 per cent, from $421bn to $448bn.

This surge in export activity has caught the eye of regional bankers, who are focusing new attention on trade services, particularly to small and medium-sized companies. Trade experts note that this is a especially welcome development because, next to finding a market, finance is a small exporter's chief problem.

After a period of massive expansion by acquisition, First Union, the Charlotte, North Carolina-based bank, for example, is focusing much of its energy on trade services. With the third-largest branch network in the country, says Mr Andrew Oliksiw, First Union's trade services division manager, "there's no reasons for our customers to use Citibank for trade and us for everything else".

Trade transactions of small and medium-sized companies may not generate much fee income, but big banks such as First Union can sell these customers an array of other services that make the overall relationship profitable, says Mr Oliksiw.

First Union had previously left the field open to its biggest competitor, Nationsbank, the fourth-largest US bank, also based in Charlotte. Nationsbank has an already well established reputation among small companies. "But", says Mr Erwin Carter, Nationsbank's chief of trade finance, "the challenge with a bank this size is and will continue to be on the customer service side."

Small exporters frequently complain that they are given short shrift because their transactions are relatively tiny and that dealing with big bank bureaucracies takes too much time.

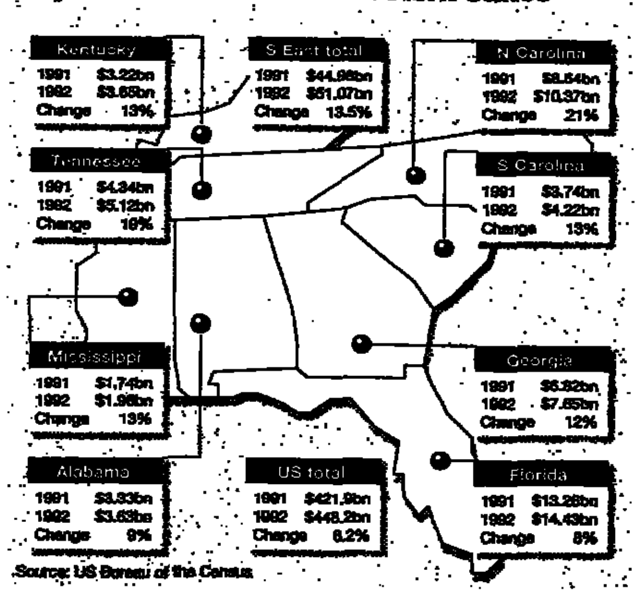
The creation of a new, small British-owned bank that promises better service looks set to provide some added competition. AmTrade International Bank, with branches in Atlanta and Miami, began operating earlier this year under a bank holding company controlled by Sir Michael Sandberg, former chairman of the Hongkong and Shanghai Bank. It is targeting small and medium-sized exporters in the South East and is almost exclusively devoted to trade finance.

Sir Michael is building AmTrade on the foundation of a $6.5m acquisition of First American Bank of Miami, which had a thriving trade finance operation largely with Latin America.

State-level economic development officials, anxious to raise their state's exports, are hoping that more bank competition will mean better trade services for small companies. Tougher competition would be good, says Mr Charles Schroder, chief of export promotion for the Georgia Housing and Finance Authority.

Barbara Harrison on trade-based investment in the south-east

Exports from the south-eastern states



Source: US Bureau of the Census

Siemens powers ahead in China

By Andrew Baxter

SIEMENS, the German electrical and electronics group, is expanding in the Chinese power plant market through a joint venture to make instrumentation and control (I&C) equipment there.

The venture, Siemens Power Plant Automation, will be 60 per cent-owned by Siemens, with the balance held by Nanjing Electric Power Automation Equipment General Factory, controlled by the Chinese ministry for the electric power industry.

The venture will be based in a special economic zone in Nanjing, 150 miles from Shanghai, and will employ about 100 people when fully established.

It will focus on producing, selling and servicing the Teleperm ME process control system, developed by Siemens for large power plants, but will subsequently also produce hardware such as electronic equipment cabinets.

The joint venture is the latest in a string of link-ups between western and Chinese power equipment suppliers, prompted by China's surging demand for power capacity. Advanced I&C equipment increases the reliability, cost-effectiveness and service life of plant while reducing fuel consumption and emissions.

The tie-up replaces Nasic, another venture set up in 1991 by KWU, the Siemens power equipment subsidiary, with the same partner.

Siemens said preparations were under way for further joint ventures in China.

French managers back Gatt peace

By David Buchan in Paris

MOST French employers would prefer their government to make a compromise, even a "mediocre" one, in the Gatt trade negotiations, rather than risk isolating the country by opposing a Gatt deal, according to an Ifop poll published in La Tribune, a business daily, yesterday.

The Ifop polling organisation found that 79 per cent of the top managers of 408 companies canvassed last week backed compromise, and that 67 per cent believed the government was paying undue attention to farmers' interests to the detriment of industry and the service sector.

The poll is another sign that the mood for compromise is gaining ground in France, with more than half (54 per cent) the employers believing a Gatt deal would help pull France of recession. But it is typical of this silent majority of French businessmen that they are only ready to vouchsafe their pro-Gatt views to the anonymity of an opinion poll, because these views are still at odds with general public sentiment.

In a BVA poll for France 2 television, two-thirds backed prime minister Edouard Balladur's tough public stance on Gatt. Eighty-one per cent believed a Gatt deal on present terms would endanger French farming, while 75 per cent felt it would reinforce American economic dominance.

Ciba in Shanghai venture

CIBA, the Swiss pharmaceuticals and chemicals group, has initiated a SFr34m (£15.8m) animal health joint venture near Shanghai, writes Deborah Hargreaves in Shanghai.

The plant, which will produce drugs for treating parasites in animals, is part of the group's SFr50m annual investment programme in China over the next three years. Ciba aims to become the first western chemicals business to set up its own Chinese holding company; it has 20 projects in the country and is setting up a further seven joint ventures, including a $100m (£66.2m) plastic additives plant in Shanghai.

In search of national trends in local votes

Jurek Martin on the role of the great tax revolt, women's card and religious right in the US off-year elections

THE larger straws in the wind of off-year elections are always earnestly clutched, if at times not firmly. This year, while the New York mayoral race is, as ever, *sui generis*, the races for governor in Virginia and New Jersey and a number of tax and social issue ballots, notably in the west, form the basis for discerning national trends.

The leading questions that may be answered on November 2 include:

- Is the great tax revolt really over and are Americans resigned to the inevitability of having to pay more locally as well as nationally? If Governor Jim Florio, a Democrat, is returned in New Jersey, an affirmative case will exist. The jury may be split, however, if a majority of anti-tax initiatives in over 20 states carry.
- If last year saw women make great strides in elections, will this year's suggest it was a fluke? A defeat for Mary Sue Terry in Virginia and Christine Todd Whitman in New Jersey, both early favourites, will be adduced to suggest it was, though neither have seriously played the women's card.
- Is the religious right on the rise again after serious setbacks in 1992? A victory in Virginia for George Allen, especially if complemented by a win for his lieutenant-governor running mate, might imply it is, at least in its southern base. The expected defeat for the school voucher proposition in California would suggest the reverse, though the margin will be closely watched.

In reality, as Tip O'Neill, former Speaker of the House, used to say "all politics is local". But the Florio-Whitman match-up has attracted wider attention not only because New Jersey is a big bellwether state. It has drawn into the fray two of the most skilled political operatives, James Carville, of Clinton campaign fame, to Mr Florio, and Ed Rollins, the Republican who flirted with Ross Perot last year, to Mrs Whitman.

It has also been, remarkably, as much a battle of ideas as personalities. Two years ago, having steeply increased state taxation, Mr Florio was probably the most unpopular man in the state, even suffering the mortification of seeing the Democrats lose control of the legislature. Having enforced some gun control and vetoed attempts at repeal, he was a prime target of the National Rifle Association and its vast resources.

Yet he has had the brass nerve to run on his record, which might be described as Clintonite even before Bill Clinton became president. He has unashamedly welcomed the president and his wife to New Jersey just when other Democratic aspirants were turning the other way.

Mrs Whitman, barely known when she nearly beat the popular incumbent Senator Bill Bradley in 1990, seemed to be riding a tide, easily ahead in the polls earlier in the year. But she took a chunk of the summer off, saw her campaign organisation get involved in unseemly spats and often seemed stiff in debate against Mr Florio, not for nothing a former boxer.

Most controversially she said it was still possible to cut state taxes (by 10 per cent a year for three years). Her plan received some approval – from Forbes magazine, for example, though this may be because its publisher, Steve Forbes, helped design it. But it provided a ripe target for Mr Florio, something of a Lazarus if his current 5-15 point polling lead holds up.

Like Mrs Whitman, Mary Sue Terry in Virginia suffers from being apparently less warm and lovable than her male opponent, but this is hardly because of her sex. A former state attorney general, she is as close as it comes to being a female "good ol' boy", with a lifetime in the smoke-filled rooms of Virginia Democratic party politics. She could hardly be more different from one of last year's female successes, Mrs Patty Murray, who won election to the Senate from Washington state last year by campaigning as "the mom in tennis shoes".

Her career as a professional politician is part of the Terry problem. The state has moved on a lot since it was run by the reactionary Byrd Democratic machine. It has a Democratic black governor, Doug Wilder, and a progressive Democratic senator, Chuck Robb. Its expanding northern suburbs, near Washington, are nothing like as conservative as the old south.

But new Virginia Democrats are forever falling out, as was evident from the vicious Wilder-Robb feud, leaving Ms Terry, perhaps for the first time, very much on her political own.

Nevertheless she, too, held big leads, of up to 30 points, over George Allen, all of which and maybe more, has apparently evaporated. A conservative Republican state legislator, Mr Allen and the Republican candidate for lieutenant-governor, Michael Farris, who are not paired on the ballot paper, are indisputably of the right, anointed at a convention dominated by religious fundamentalists and their new secular hero, Lt Col Oliver North, the architect of Iran-Contra who is eying the Senate next year.

Ms Terry, over-emphasising the negative with some indifferent commercials, has tried to make Mr Farris, the harder right of the two, and Mr North the bogeymen of the race. Mr Allen, genial and an effective campaigner, has countered by talking "issues" – ending parole for prisoners, cracking down on crime and slashing the state budget but with only a modest recourse, on his own account, to invocations of the Lord.

Out west various education propositions long on the right wing wish-list would make easier the maintenance of private, often religious, schools. In California, Governor Pete Wilson, the ambitious Republican whose stock is also rising, a la Florio, from the depths, is leading the opposition.

In Washington, Bill Gates of Microsoft has given $80,000 to the fight against two anti-tax initiatives on the grounds that they would destroy state higher education. "This dwarfs all my previous political contributions," he said, demonstrating that at least one American is taking these off-year elections very seriously indeed.

Ballot battle: Canadian Liberal party leader Jean Chrétien casts his vote at the start of national elections yesterday

Mexican reforms cut poverty rate

FOUR years of free-market reforms in Mexico have helped lift more than 1m Mexicans out of poverty, a UN-sponsored study has found, AP reports from Mexico City.

The drop in the poverty rate – reversing a long trend – comes as the US Congress debates whether Mexico's living standards are rising sufficiently for it to join in the North American Free Trade Agreement (Nafta).

The study, conducted by the UN Economic Commission for Latin America and the Caribbean and the Mexican government, found 13.6m Mexicans lived in "extreme poverty" in 1992, about 16.2 per cent of the population. That is an 8.7 per cent drop from 1989's total of 14.9m people, or 18.9 per cent of the population.

The fall came despite a growth in Mexico's population; between 1984 and 1989 the poorest segment of the population grew by 6.3 per cent annually, said Mr Pedro Sainz, director of the study.

"More Mexicans than ever have improved their ability to feed themselves and meet the basic necessities for their well-being," the study concluded.

Mr Carlos M Jarque, head of the Mexican government's National Statistic Institute, said the results were extremely encouraging.

President Carlos Salinas has sold off more than 900 state enterprises since taking office in 1988 and mounted a successful assault on inflation. He has vowed to lift Mexico into the ranks of the developed world through Nafta, which would link his country with Canada and the US in a bloc of 362m consumers.

Hopes of end to Haiti deadlock

By Canute James in Kingston

HAITIAN legislators will begin debate today on new laws proposed by pro-military parliamentarians which Mr Dante Caputo, the UN envoy, says could resolve the island's political deadlock.

The legislators will discuss a broad amnesty for all political crimes committed since the military forced democratically elected President Jean-Bertrand Aristide into exile two years ago.

They are also to consider the broadening of Mr Aristide's cabinet to include supporters of the military, and legislation to separate the army and the police.

"If these laws are passed, it will be a fundamental step towards the return of Mr Aristide by the October 30 target," Mr Caputo said yesterday. "It is essential that the parliament meets [today]." Mr Aristide's return was originally agreed as part of a United Nations-brokered plan aimed at restoring Haiti to democracy.

Mr Robert Malval, the prime minister appointed by Mr Aristide, and Gen Raoul Cedras, the army leader, were scheduled to meet last night to discuss Gen Cedras' undertaking at a meeting on Saturday to step aside as soon as parliament ratifies the new laws.

However, there are doubts that parliamentarians who support Mr Aristide will attend parliament today. Most went into hiding a fortnight ago when an armed gang, widely held to be supporters of the military, invaded parliament and abducted some members.

Supporters of the president said yesterday that they doubted the fearful legislators would risk an appearance today. Their absence could lead to the lack of a parliamentary quorum, and this could further delay the return of Mr Aristide.

Aides to Mr Aristide have said that he was not unwilling to compromise to end the deadlock over conditions for his return, but was concerned at the number of key roles in his government he would have to give military supporters.

Low interest rates boost home sales

SALES OF existing US homes climbed 2.6 per cent in September to a seasonally adjusted annual rate of 3.91m, the highest level this year, the National Association of Realtors said, Reuter reports from Washington.

The association's president, Mr William Chee, said: "Low interest rates and a positive expectancy about the economy clearly have set the stage for prime home buying conditions." The association said there was an impressive turnout of first-time buyers, another sign of the positive effect of low interest rates.

September sales – which exceeded Wall Street economists' forecasts – were the highest since the 4.04m units recorded in December last year and stood 15.7 per cent above the 3.38m level seen a year ago.

Mr John Tuccillo, an economist with the association, said: "Strong housing markets have always had a positive impact on the whole economic picture."

US may support small oil groups

By Robert Corzine

THE US Energy Department is to launch a study into whether the smaller independent companies in the American oil and gas industry should receive greater government support.

Mrs Hazel O'Leary, energy secretary, said in London yesterday that US-based, large multinational oil companies had the international experience and financial resources to diversify away from the US, where oil production is steadily falling.

The same could not be said of many of the independents, whose future would remain in the US. "We owe them some obligation to find some answers for them," she said.

Mrs O'Leary said the study would determine whether there was a need to offer strategic support to the independent oil sector, in the same way that the Clinton administration was proposing to help the US car industry to develop a non-petrol burning, zero-emission passenger vehicle in the next century.

She offered little short-term relief to the industry, however.

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IRA bomb attack causes rail chaos

By Charles Batchelor

THE IRA brought chaos to rail travellers in southern England yesterday after a bomb exploded near Reading station on the main line from London Paddington to the West and south Wales.

BR said 40,000 people using the main rail link to London from the West and south Wales experienced severe delays after the explosion late on Sunday night.

The main line was re-opened during the day but the line from Reading to London Waterloo and Gatwick Airport remained closed because of damage to signalling.

Police said a coded warning was given about the trackside bomb, claiming it to be the work of the IRA, and no other communications had been received.

But the information, in a coded warning to a Dublin radio station an hour before the device exploded, was false in that it warned that the bomb was on the Reading to Basingstoke line.

"It may have been a deliberate attempt to mislead or people might not have realised where they put it," police said.

The blast damaged a signal post and caused a crater up to 18 inches deep but it was not thought the track itself was damaged.

The explosion came seven hours after a BR security guard found a device in a toilet at Reading station. Police believe this device was meant to go off afterwards, hitting emergency services summoned to the scene.

"This was a deliberate attempt to lure emergency services into the path of an explosion with total disregard for human life," said Det Supt John Bound.

Another device was discovered and made safe on Sunday night at Basingstoke station in Hampshire, while further disruption was caused by damage to a bridge above the London to Banbury line at Brill, Buckinghamshire, thought at first also to have been the result of an explosion.

The apparent decision by the IRA to target commuters led to a call for extra vigilance from BR, who urged passengers and people living close to railway lines to watch out for anything suspicious. Sir Bob Reid, BR chairman said after visiting the scene of the Reading blast: "Let's face it, our lines are exposed. What we need is vigilance by everybody concerned."

● In Belfast yesterday, thousands of workers downed tools to pay silent tribute to those killed in Saturday's IRA bombing on the Shankill Road.

About 6,000 workers – the vast majority Protestants – from the Harland and Wolff shipyard and the neighbouring Shorts aerospace factory marched across the city for a service of remembrance, arranged at the request of shop stewards from the two factories.

A 22-year-old Catholic taxi driver shot in Belfast hours after the Shankill Road bombing died in hospital last night, police said.

New blow for Ulster's image-makers

Emma Tucker on the UK's poorest region and its economy

Thousands of workers from the Harland & Wolff shipyard in East Belfast downed tools yesterday and marched through the city to the Shankill Road to show their sympathy for those bereaved in the weekend's IRA bomb attack which killed nine innocent people

IT TAKES an almost religious zeal to promote Northern Ireland as a good investment opportunity. But even the province's most ardent flag-wavers must have dropped their heads in their hands on hearing of the giant bomb that killed ten people in Belfast at the weekend.

Persuading people to invest is tough enough and the latest atrocity will make it harder than ever for Northern Ireland's Industrial Development Board to attract private investors, whether indigenous or from overseas.

Yet persuade them it must, for even though the economy is in better shape now than it was during most of the last decade, Northern Ireland remains the UK's poorest region and can ill afford the unsettling consequences of an more violence.

Official figures show that Northern Ireland was the least affected of any region by the recent UK recession. To an extent, Northern Ireland was protected by the high level of government spending in the region. In fiscal 1991/92, government spending per head including security costs, was £4,191 in the province, compared with £2,963 in England, and £3,506 in Scotland.

But the region was also cushioned by the prudence of its manufacturers and consumers who entered the recession with a lower burden of debt than their counterparts on the mainland and were thus less exposed to the very high interest rates of 1989-90.

In spite of this, Northern Ireland still lags the rest of the UK on virtually every economic fundamental. Unemployment, for example, affects 14.1 per cent of the work force against the UK average of 10.3 per cent.

Political problems can only be part of an explanation of the economy's weakness.

What else then can explain the province's economic deficiencies? One big drawback is the size of the private sector. Last year, only 23.9 per cent of male employees were employed in manufacturing compared with a UK average of 28.6 per cent.

By contrast males in the public sector in Northern Ireland accounted for almost one third of the workforce, compared with one fifth in the UK. For women the figures are even more startling.

Many of Northern Ireland's industrialists complain that the overwhelming presence of the public sector holds back development of the private sector.

"The public sector is a very safe haven for a lot of people," says Mr Nigel Smyth, director of the Confederation of British Industry, the employers' organisation, in Northern Ireland.

Another problem often cited is that manufacturing in the province is concentrated in traditional areas such as textiles and aerospace.

There is also a relatively underdeveloped small business sector, possibly because of Northern Ireland's location which makes exporting difficult for small operations.

Skills shortages lower the province's economic performance. According to the CBI, 35 per cent of Northern Ireland's employees have no qualifications, compared with 29 per cent in Great Britain Population growth, twice that of the UK average, puts pressure on the economy and government funded training and education schemes.

The good news is that in the last financial year the province attracted almost 2,000 jobs through inward investment. This was the second best performance by the IDB since it was established in 1982.

"The most important thing, is to get people to come here," says Mr George Forster, executive director of the IDB's international investment division.

"If they only go on the media, then they won't want to know."

Saturday's bombing could leave the province still struggling to overcome a host of deep-seated structural problems, but without any hope of shedding perhaps the worst image of any region in Europe.

Britain in brief

Docklands set to get tube line

The UK government will on Friday give the long-awaited formal go-ahead for the construction of the £1.7bn extension of the Jubilee underground line to London's Docklands.

The UK government, London Transport, and the European Investment Bank, plan to announce the decision if court approval is given for Canary Wharf, the property development down river from the City of London, to come out of administration.

Owners in travel deal

Owners Abroad Group has reached agreement with the Pickfords and Hogg Robinson travel agency chains, owned by rival Airtours, for the distribution and display of its principal holiday brands.

Pickfords and Hogg Robinson, with a combined share of 11 per cent of the travel agency market, will sell Owners' holidays under the Enterprise, Falcon, Martyn, Sovereign, Sunmed and Twentys labels this winter and next summer.

Rush hour at lowest level

The number of people travelling to work in central London in the morning rush hour has fallen to its lowest level for more than 30 years, the Department of Transport said. Fewer than 1m people entered central London during the morning peak between 7am and 10am in 1992. This represented a fall of 14 per cent from the peak year of 1988.

Commercial radio gains

Commercial radio strengthened its grip on radio audiences in the third quarter of the year at the expense of the BBC, according to independent audit figures. The BBC's share of listeners dropped to 56.1 per cent from 57.2 per cent in the second quarter and 59 per cent in the first quarter of the year. The figures are collected by Radio Joint Audience Research (Rajar), the audience research system jointly funded by the BBC and commercial radio.

US health model urged

Britain is relying on an "inadequate, piecemeal approach" to mental health care and ignoring the experience of other countries, according to a report published by the health think tank The King's Fund Institute. The report made a number of recommendations including the drawing up of national goals for mental health care. Ms Judy Turner-Crowson, a former US health official, says the care of mentally ill people in the community could be transformed if policymakers learned lessons from the US.

Gainsborough record price

A Gainsborough landscape, "Peasants going to market, early morning" has been sold privately for £3.5m, a record price for the 18th century English artist. The most likely new owner is Sir Andrew Lloyd Webber, the only British collector in recent years prepared to pay such sums for British paintings. He bought a Canaletto scene of Whitehall for £10.12m last year and has subsequently loaned it to the Tate Gallery.

Thatcher warns on US defence

The US might withdraw military protection from Europe if the European Community fails to reach a compromise deal on the Uruguay Round Gatt talks, Baroness Thatcher said.

Addressing the American Chamber of Commerce in London, Lady Thatcher said that a US military withdrawal would be "very serious indeed for the world as a whole."

She said the US presence in Europe was "all of a piece with cooperating together on the international economy under the Gatt." Singling out France she said hopes of a Gatt deal were threatened by a long-standing "anti-American streak" in the EC.

And Major on Thatcher...

Mr John Major, the Prime Minister, hit back at criticism in Baroness Thatcher's memoirs, and urged the media to stop comparing him with his predecessor. Mr Major said he had not read Lady Thatcher's book, The Downing Street Years.

He said her claim that he "drifted with the tide" as chancellor related to the debate on joining the exchange rate mechanism of the EMS. "If I was drifting with the tide, so was the Conservative party, the Labour party, the Liberals, the CBI, the trade unions and most economic opinion in this country and across Europe. So I had plenty of company on the raft," he said.

ID cards urged as benefit fraud 'more than £5bn'

By James Blitz and Robert Peston

MORE THAN £5bn per year of government money may be lost through fraudulent benefit claims, according to central government officials investigating abuse of the social security system.

The scale of benefit fraud is being cited by ministers as a main reason for considering the introduction of an identity card system for all claimants.

Officials say the investigation has uncovered far greater abuse of state welfare than had been thought, with many examples of improper claims for old age pensions, unemployment assistance and child benefit.

Until recently, ministers had estimated that the state lost some £1bn per year in fraudulent claims. But officials say the investigation has produced evidence of fraud on a much greater scale.

"It would not be wrong to say that the figure is in excess of £5bn per year," said one official. That compares to a total annual bill for welfare benefits of around £80bn.

If an identity card scheme were to be implemented, this would be the first time British citizens would be required to carry any form of formal identification other than a passport.

Civil Liberties groups have strongly opposed such a move as an infringement of individual rights.

Mr Peter Lilley, the social security minister, said yesterday that the introduction of an identity card system would depend on the final presentation of the efficiency unit's report, which is due in a month's time.

But Downing Street officials say that the introduction of an identity card system is already backed by Mr John Major, the prime minister, who has closely monitored the investigation into welfare fraud being conducted by the efficiency unit, which is attached to the Cabinet Office.

The favoured identification method would involve social security and pension claimants having some form of "hand scan", said an official.

Citibank appeals over £14m ruling

By John Mason

THE Court of Appeal yesterday bega hearing an appeal by Citibnk against a High Court rling that it should pay £14.n compensation to Smith Nw Court, the securities hous for losses incurred on thepurchase of Ferranti shares wrth £23m.

The 28m shareswere bought in July 1989, shrtly before the discovery ofa fraud on Ferranti halved he value of the stock.

The High Cout held last year that SNC's d price for the shares had ben induced by fraudulent mirepresentations made to it byMr Christopher Roberts, thehead of private banking at Cibank, part of the US Citicorp roup, and a director of Scrimgur Vickers (Asset Manageme), its marketmakers.

Mr Roberts had alsely told SNC it was competing with two other bidders.Mr Justice Chadwick, said the SNC was awarded £10.7m copensation plus interest of abut £4m.

However, Mr Jonathan Sumption QC, for Citibank, yesterday argued that the judge had made afinding of fraud against Mr Roerts without any adequate fndation.

Mr Sumption sd a high standard of proof as needed to support the allgation of fraud – especially since Mr Roberts was acquitd of similar criminal charge.

SNC's allegatins were always based upo evidence given by two of itdirectors, Mr Lewis and Mr brahams, Mr Sumption said. r Justice Chadwick had regrded both men as discreditedwitnesses whereas he made o adverse finding about the crdibility of Mr Roberts.

The judge's findig of fraud was therefore sutantially based on speculave inferences. This was a wolly inappropriate basis onwhich to make the grave nding of fraud, Mr Sumptionsaid.

The case is due o last 10 days.

Van and truck sales increase hints at recovery

By John Griffiths

VAN AND TRUCK makers believe the most severe recession in the UK commercial vehicle market since the second world war may be over.

Registrations rose by 14.94 per cent in September on a year-on-year basis – the first monthly rise since January. The decline in new van and truck sales which started in autumn 1989 has slowed since July and the September figures indicate that a turning point has been reached.

This is in spite of a continuing slight deterioration in the market for light vans and a strong performance in the heavy trucks sector which was caused by trucks being registered to beat the October 1 introduction of tougher exhaust emission standards, known as "Euro'One".

The 17,871 commercial vehicles registered in September compared with 15,549 in the same month last year.

They lifted the total for the first three-quarters of the year to 153,211 – still 2.82 per cent lower than the last year.

The emissions deadline's effect on trucks was dramatic – September's registrations rose 85 per cent to 5,059.

Registrations of panel vans – the largest sector in the commercial market – rose by 10.39 per cent in September to 7,537. Those of utility four-wheel-drive vehicles jumped by 22.7 per cent, and buses and coaches by 49 per cent. But light van registrations were 22.2 per cent lower at 3,719.

The share of the market taken by imports continues to rise. They accounted for 43.82 per cent of the September market compared with 35.45 per cent a year ago, and for 41.13 per cent in the first three quarters compared with 35.82 per cent last year.

● IM Group, the largest private motor import business in the UK, is to serve a writ against General Motors and its Vauxhall subsidiary over their plans to take over import and distribution of Isuzu vehicles in the UK from January.

IM, whose wholly-owned Isuzu (UK) subsidiary has held the Isuzu franchise since 1987, declared its intention to serve the writ after Vauxhall's chairman, Mr Charles Golden, said Vauxhall would "take up its right" to import Isuzu's four-wheel-drive Trooper model from January 1.

IM's dispute with GM centres on its allegations that GM unlawfully sought to procure the termination of Isuzu (UK)'s contract to operate the franchise in the UK.

'Less hostility' toward Jews

By Jim Kelly

ATTITUDES towards Jews in Britain are more positive than those towards other minorities, according to a survey published yesterday by Gallup, for the American Jewish Committee, an international lobby group.

The survey, one of an international series, also showed that hostility towards Jews was less in Britain than in many other countries, including the US.

Dr David Singer, director of research for the AJC, said the results were encouraging but noted that 25 per cent of those questioned still saw anti-Semitism increasing in the future.

The survey found that 8 per cent of respondents felt Jews behave in a way which provokes hostility. In comparison 57 per cent felt the same about Gypsies, 28 about Pakistanis, 26 per cent about West Indians and 21 per cent about Arabs.

Asked if Jews had too much influence in British society eight per cent said they did, 42 per cent said they had the "right amount" of influence, and seven per cent "too little". On the extent of anti-Semitism the survey found 45 per cent felt it was "not a problem at all."

International comparisons were made by Dr Singer with other surveys by AJC based on the same questions. Asked if Jews had too much influence in society, 28 per cent in Austria said they did, compared with 20 per cent in the US, and 5 per cent in the former Czechoslovakia.

Mr Neville Nagler, chief executive of the Board of Deputies of British Jews, said despite the results, the fact that 31 per cent saw anti-Semitism as a problem was still a cause for concern.

Gallup conducted face-to face interviews with 959 people over the age of 16 for the survey.

Lord Grimond, Liberal elder statesman, dies

LORD Grimond of Firth, the former Liberal party leader Jo Grimond, died at the weekend following a stroke. He was 80.

During his tenure of the leadership – he held the position for 11 years from 1956 – he helped to re-establish the Liberals as an active force in British politics.

In the 1955 general election, the Liberals won a total of just 722,405 votes – 2.7 per cent of the poll and held only five seats. Four years later, it had more than doubled its share to 1,638,571, nearly 6 per cent of the total.

Born on July 29, 1913, he was the son of Joseph Grimond, a Scottish jute manufacturer and staunch Liberal.

Brought up in St Andrews, he was educated at Eton and Balliol College, Oxford, and qualified as a barrister in 1937.

In 1938 he married Laura Bonham-Carter, grand-daughter of the former Liberal prime minister Herbert Asquith.

He unsuccessfully fought the Orkney and Shetland constituency in the 1945 general election but won the seat in 1950, serving as a Liberal Whip, in charge of internal party discipline, at Westminster until he took over the leadership in 1956.

He also took over as caretaker leader from May to July 1976, following the resignation of his successor Mr Jeremy Thorpe, before handing over to Mr David Steel.

Lord Grimond believed fervently that any alliance between the Liberals and another party must involve electoral reform, and he was a persistent campaigner for proportional representation.

In 1983, at the age of 70, he was made a life peer, becoming Baron Grimond of Firth. He had served 33 years as MP for the country's most northerly constituency.

Current leader of the Liberal Democrats Mr Paddy Ashdown said Lord Grimond had "brought the Liberal cause back from the verge of extinction, introduced new ideas which have today become commonplace in the agenda of all parties and inspired a whole new generation of liberal thinkers and activists."

Jo Grimond: widely credited with re-vitalising the Liberal party

TECHNOLOGY

Meter readers go remote

The days of the peripatetic meter reader could soon be numbered in Britain as new technologies are developed to take readings remotely and dispense with the human eye.

Instead of utility officials having to enter homes, factories and offices to measure the amount of water, gas or electricity used, future readings could be taken from moving vehicles through low-power radios from transmission devices on the meters.

Meters could also be read down the mains electricity network, with information sent back to users, if necessary, about new charges or rates of consumption.

At present, these technologies are still in the trial stage, the main interest being shown by the water industry.

Aid-Call, which makes medical alarms for the aged, will start installing its meter-reading devices later this year for tests. In the US, remote meter reading is common. But Terry Giles, Aid-Call's technical director, says tougher UK and continental European regulations and the use of different frequencies for meter-reading radios than in the US means different equipment is needed.

Aid-Call, part of Compagnie Générale des Eaux, the big French water and communications concern, has spent three years developing its product, called Ramar. It uses transponders to obtain the readings through low-power radio.

Giles says remote metering technology needs to be cheap since so many devices have to be installed. Ramar has just gone into partnership with Kent Meters, which makes more than 7m meters a year for the world market.

The companies will work on a radio-assisted, hand-held reading system capable of reading meters up to 50m away and a mobile system to obtain readings in vehicles moving at up to 30mph from distances of around 100m.

In Somerset, Wessex Water plans tests on a different system developed by Remote Metering Systems, half-owned by Scottish Hydro-Electric. Tom Houston, Wessex's commercial services manager, says the trial will show whether meter reading by electricity works over long as well as short distances.

Andrew Fisher

R&D in a tussle over EC funding

Member states have a contradictory approach towards the next five-year spending plan, writes **Andrew Hill**

Europeans will hear a lot about the role of science and technology in the weeks ahead.

This month, the European parliament welcomed Europe's scientific and industrial elite to a two-day "science summit" in Brussels. At the end of November, the European Community will sponsor a week of "scientific culture" in an attempt to improve the general understanding of science and technology through a series of conferences, competitions, open days and exhibitions across Europe.

Meanwhile, in a somewhat less celebratory atmosphere, EC research ministers are trying to decide on the size and shape of the next five-year "framework" programme of EC-funded research and technological development, to run from 1994 to 1998.

The framework programme is the EC's fourth since 1984, and the European Commission's proposal for Ecu13.1bn (£10.2bn) of funding makes it look like the biggest so far. The 1990-94 framework programme – which will overlap its successor – was worth Ecu6.6bn. But appearances are misleading: R&D spending remains pegged at about 4 per cent of the overall EC budget.

The Commission may have to struggle to prevent member states from chipping away still further at that figure. When EC research ministers met in Luxembourg recently for their first substantive discussion *of the Commission's plans, nine* member states backed a figure of Ecu13.1bn. But the Community's three largest paymasters – Britain, France and Germany – said it should be reduced by Ecu1bn or more. The proposals require the unanimous approval of the 12 member states.

Antonio Ruberti, an engineer by training and former Italian minister for research and university affairs, *took over responsibility for the EC* programme of science, research and development at the beginning of the year with a two-year mandate. He wants to move quickly, but so far is clearly frustrated by the apparent contradiction between member states' desire to improve economic performance and their grudging attitude towards research spending.

"When it comes to earmarking resources to be devoted to research in individual member states and in the Community, all sorts of difficulties arise which are not consistent with statements of principle as to the strategic role of research," he told a Brussels press conference.

Part of the problem is that some governments still have lingering doubts about the value of the EC's framework programme. After nearly a decade, critical observers are bound to ask why a programme *aimed at improving the performance* of EC industry against US and Japanese competition has not given the Community more of a competitive edge.

Fourth [illegible] research and technological development framework programme [illegible]

THE COMMISSION PROPOSAL: [illegible] Ecu (as proportion of R&D programme)	
Information and communications technologies	3900 (35.7%)
Industrial technologies	1800 (16.5%)
Environment	970 (8.9%)
Life sciences and technologies	1325 (12.1%)
Clean and efficient energy technologies	1050 (9.6%)
Nuclear safety and security	496 (4.5%)
Controlled thermo-nuclear fusion	980 (9.0%)
Research focus: European transport policy	280 (2.6%)
Socio-economic research	125 (1.1%)
Cooperation with third countries and organisations	790
Dissemination and utilisation of results	600
Stimulation of training and mobility of researchers	785
TOTAL	13100

Source: [illegible] Commission

Large projects such as Esprit, the EC's flagship information technology programme, are criticised for their lack of commercial impact, while industrialists complain that Brussels spurns market-oriented projects for fear of distorting competition. "You can't at the same time want to increase competitiveness and say that any project which by some misfortune leads to an industrial application can't be *financed," argues Viscount Davig*non, chairman of Société Générale de Belgique, the Belgian holding company, at the science summit.

These criticisms are not entirely fair. The framework programmes account for only a tiny proportion of overall research spending in the EC, so Community officials argue that some blame for a technological deficit should be laid at the door of member states and companies. Moreover, the Community is supposed to concentrate on basic research; a separate pan-European programme, Eureka, exists to help companies collaborate on projects with direct market applications. There are also notable exceptions to the over-simplified claim that EC-funded research rarely leads anywhere: ICL's launch earlier this week *of an advanced computer sys*tem, partly based on technology developed under Esprit, was one of them.

Nonetheless, Ruberti is on his *mettle to produce a fourth frame*work programme which answers some of the main questions raised by past programmes.

To do so, he has decided to concentrate resources on fewer areas, promoting so-called "generic" technologies which will benefit a range of different industries and serve wider EC objectives such as economic integration, employment, environment and infrastructure *improvements.*

A Commission working document outlining the possible contents of the Ecu13.1bn programme says that projects for the next five years should respond to the "real needs" of technology consumers.

For example, information technology and communications would still represent more than a third of the Commission's proposed research budget, but Esprit would lose its current high profile and its name. IT projects would have broader applications, linked more closely to market needs.

The Commission has high hopes, for example, that the EC can gain a lead over Japan and the US in the development of tiny, intelligent machines known as microsystems with uses from medical diagnosis to cable maintenance. A network of some 120 research bodies and companies, *mainly small or medium*-sized, was set up under the third framework programme and is already discussing what may be required. Under the fourth framework programme, specific proposals for basic research will be considered for funding.

Similarly, in the field of industrial technologies, which would take up 16.5 per cent of the proposed budget, the Commission hopes the EC will fund technologies which might help equip the "factory of the future", while the Ecu1.32bn channelled towards "life sciences" would focus on the use of biomedicines in the fight against Aids.

A further Ecu530m will be devoted specifically to disseminating and exploiting the results of research projects, so that EC companies actually benefit from Community-funded innovation. A special effort will also be made to co-ordinate Community and *national R&D strategies, helping to* end the framework programme's reputation as an unlucky "13th" research effort.

The speed with which the Commission has produced these outline proposals has a political purpose. Following ratification of the Maastricht treaty, the fourth framework programme will be one of the first *Commission proposals subject to a* new and complex legislative procedure involving consultations between European parliament, ministers and Commission. If, as seems possible, ministers and Euro-MPs disagree on the size of the research programme, then there is a risk that implementation will be delayed. "This [working document] is so that nobody can say that the Commission has not made its suggestions and ideas clear," explains one Brussels official.

What is already clear from the Commission plans is that Ruberti wants to avoid the same traps as his predecessors. Whether he succeeds may not be apparent until long after his 24-month mandate expires – and a great deal of EC money has been spent. Member states will have to decide, probably before the end of this year, how *much cash they are prepared to risk* to carry out those ambitions.

Technically Speaking

Contest for an industry's future

By David Alden

"THE spectacle of the French Minister *of Industry*, Gerard Longuet, hawking round the chairmanship of Groupe Bull, with few takers, as he wrestles with the restructuring of the computer concern is highly diverting – in more senses than one.

For while the EC Commission concentrates on the aid being offered, the real contest for the future of the computing industry is being fought elsewhere. Europe is not even in the game.

The US, however, plays to win. Faltering giants such as IBM, Unisys, Digital and Wang are left to find their own salvation. In the country that sets the agenda for information technology – for users and providers – action is centred on establishing leadership in new techniques for computing.

In the vanguard of such action *was the Defence Advanced* Research Projects Agency, set up in the Sputnik era of the 1950s. DARPA instigated a strategic computing programme in the early 1980s that helped supply users with new parallel processing systems, including 68 from two vendors, Intel and Thinking Machines, in a programme now running at $120m (£82m) a year.

Such single-minded concentra*tion of this largesse on just two* suppliers irked the powerful House of Representatives Committee on Armed Services, which instigated a General Accounting Office enquiry.

Its May 1993 report criticised the way the programme had been run, especially its hardware procurement, but not its goals. The director of the programme was removed, the largesse spread and the programme continued.

Congress had also joined the action and passed a High-Performance Computing Act in 1991, raising the budget (including software and computer networking) by 68 per cent to $3bn over five years. The act co-ordinates 10 agencies, including DARPA – now renamed ARPA to emphasise its refocus on a dual-use technology role – in a programme that disbursed $796m in fiscal 1993 on R&D in high-performance computing.

By the summer of 1993 it had funded 30 significant systems, this time including each of the leading companies in the industry. No foreign-owned suppliers were included, hardly surprising since any contract that does not comply with the Buy America Act must be reported to Congress.

Where high-performance computing goes today, so commercial computing goes tomorrow. In July, a Congressional committee lifted the sum by a further $200m a year and widened the scope to include commercial applications.

Policymakers in Brussels are well aware that the issue matters.

One Commission official has estimated that Brussels allocates $15m a year on activities comparable to those on which the US spends $796m.

In 1991, Brussels produced a *discussion document on IT. This* stressed the "enabling" nature of these IT industries, now involved in virtually all economic activities, and their external impact on the EC economies as a whole, already representing 5 per cent of GDP directly and set to approach *10 per cent by 2000.*

The role of parallel processing in computing was recognised as an opportunity to improve *Europe's status quo. But the EC* also noted that European purchasers of advanced computer systems tend to turn to US suppliers which, thanks to their government's intervention, are larger and have more users than their European counterparts.

The latest example was announced last Friday, when it was revealed the European Centre for Medium Range Weather Forecasts was acquiring the Cray Research T3D parallel system – without even going out to tender.

As Paris and Brussels wrestle with Groupe Bull, therefore, the sound and fury will signify little unless some thought is spared for the consequences of the next generation of computing being abandoned to the US.

David Alden is chairman of Meiko, the British-owned high-performance computing company.

BUSINESS AND THE LAW

Pop stars' rights safeguarded

EUROPEAN COURT

Community rules prohibiting discrimination on grounds of nationality apply to intellectual property rights, according to a judgment last week from the European Court of Justice in two cases involving British pop singers Phil Collins and Cliff Richard.

The cases, which were heard together, were both referred from German courts on the issue of the compatibility of certain provisions of German copyright law with European Community law. The domestic provisions in question gave protection against unlicensed distribution of the work, including performances, of any German artist. The protection of performance work was guaranteed irrespective of the place of the performance. However, protection of performance work for non-German artists was limited to those performances on German territory.

Mr Collins's case concerned the recording *without his consent of a* concert in the US in 1983. Mr Collins sought to have the distribution of the "bootleg" record in Germany stopped.

Mr Richard's case related to the sale in Germany of some of his work performed in the UK between 1958 and 1959. The German exclusive distributor brought an action in Germany against the defendant company, which allegedly had distributed records containing some of the relevant performance work in breach of the former's exclusive rights.

In both cases, the question of the compatibility of the German legislation with EC law arose, and was referred to the European Court of Justice.

The Court first dealt with the issue of whether the provisions of the Rome Treaty prohibiting discrimination on grounds of nationality *applied to copyright* and neighbouring rights. It found that copyright included economic rights, notably the right to exploit commercially the marketing of the protected work, particularly in the form of licences granted in return for the payment of royalties. The exploitation of a copyright therefore could constitute both a source of remuneration for the owner and a form of marketing control.

It followed that, as with other industrial or commercial property rights, copyright was capable of affecting the flow of goods and services as well as competition within the Community. It was for this reason that the Court had previously held that such rights, although determined by national provisions, were nonetheless bound by the Rome Treaty provisions. Given this, copyright and neighbouring rights were thus bound by, *inter alia*, the prohibition against discrimination on grounds of nationality contained in the Rome Treaty.

The Court then dealt with the issue of whether provisions such as those contained in German law were contrary to the Rome Treaty provisions on non-discrimination. The argument raised by the defending parties was that discrimination between German and non-German artists was justified by the differences which existed between the national law of member states, and by the fact that not all states had adhered to the 1961 Rome convention which protected *the rights* of performing artists.

The Court reiterated that the Rome Treaty provisions on non-discrimination were not concerned with those disparities in treatment or distortions that arose from divergences between the laws of member states, so long as these differences affected all persons subject to them in accordance with objective criteria and without regard to nationality. This was not the case here.

The Rome Treaty provisions required that persons in a situation governed by EC law should be placed on an equal footing with nationals of the member state in question. The principle of non-discrimination therefore precluded a state from making the grant of a right subject to the condition of being a national of that state.

The Court finally held that the Rome Treaty provisions on non-discrimination were of direct effect and could thus be invoked before the national courts in cases such as these.

Joined cases C-92/92 and C-326/92: Phil Collins v Imtrat Handelsgesellschaft mbH; Patricia Im- und export Verwaltungsgesellschaft mbH v EMI Electrola GmbH. ECJ FC October 20 1993.

BRICK COURT CHAMBERS, BRUSSELS

An end to the battle of forms

A H Hermann examines a set of terms to help standardise domestic and international trade contracts

When businesses enter into contracts for the supply of goods, there are two dangers to avoid: either too little legal input, or too much of it and of the wrong type.

The first danger looms whenever the deal is made by word of mouth or by a short letter, such as: "Ship 100 units as last time". If it comes to a dispute, it will be a veritable feast for lawyers, particularly when the contract is governed by a non-codified law, such as English law.

The second danger, too much law of the wrong type, takes two forms.

One is an antique, standard contract of the respective market, such as the charter party, about which the courts have been complaining in vain for 100 years, to which shipping lawyers retort: "What would we do if it was all clear and certain?"

The second form of too much law of the wrong type appears in the small print on the back of the form used by the other party for ordering goods or confirming orders.

These sale or purchase "conditions", often long and drafted in legalese which few businessmen have the patience to read, can sometimes be summed up in one sentence: "We have all the rights and you have none."

A particularly nasty mess results if both parties use their own preprinted forms, one for the order, the other for its confirmation.

This can lead to a "battle of forms", and when the forms differ substantially, the court may find that there is no contract at all.

A set of International Trade Terms (Intraterms), produced at the Centre for Commercial Law Studies of the Queen Mary and Westfield College in the University of London, aims at avoiding, or at least substantially reducing these dangers as well as some new ones resulting from the adoption by 84 countries, including the UK's main trading partners, of the UN Convention on Contracts for the International Sale of Goods (Vienna Convention).

Though designed primarily for application by reference to contracts for international sale of goods, Intraterms are equally suitable for domestic contracts with the exception of consumer sales.

If used by both contracting parties, they can form the basis of a continuous trading relationship where individual deals are concluded over the telephone or by a short letter.

Alternatively, they can be used selectively, for drafting a contract with the help of computer software supplied with the book which also contains a running commentary relating the terms to the national laws of the main trading nations and to the Vienna Convention.

The Intraterms incorporate into a contract many of the improvements to English law which have been for some time advocated by English judges or academic lawyers.

In the first place, they require interpretation and performance according to the principle of "good faith and fair dealing", which in its generalised form is absent from English commercial law, but which, nonetheless, English commercial judges try to substitute by a variety of devices.

That they do not always succeed is evidenced by the many judgments introduced with the ominous phrase: "With the greatest regret, I must hold that..."

While English courts are only slowly moving away from the "parole rule" which excluded evidence of statements not contained in the written document, the Intraterms prefer an interpretation which makes the contract effective and the result reasonable and which takes negotiations preceding the conclusion of the contract into account.

While English law treats the post office as the agent of the addressee, the Intraterms reduce his exposure by requiring the receipt of communications to be confirmed and limit the adverse consequences for the parties of delayed or distorted communications.

English commercial law accepts that a change in circumstances may frustrate a contract but the success of such claims is very difficult to predict.

Various theories enable the court to consider whether the parties made the bargain on the assumption that a particular state of things will continue to exist.

The element of uncertainty is further increased by the assumption that in such cases the discharge of the contract occurs not by an act of the parties but by the operation of law.

By contrast, Intraterms do not rely on an automatic operation of the law, but give the parties the possibility of discharging the contract by a notice if its purpose can no longer be achieved.

The inclusion in the Intraterms of clearly defined rules concerning *force majeure* is of particular importance because such rules do not exist in English commercial law. Moreover, the Intraterms also provide detailed rules for a fair apportioning of loss caused by frustration of the contract or *force majeure*.

No less important are rules assuring the survival of contracts which provide that "price is to be agreed" and rules protecting the debtor who made an agreed part payment in full settlement from further claims.

Both parties are assured contractual interest on overdue debts and the buyer is protected against the consequences of the House of Lords 1982 decision in "The Chicuma" case where it was held that payment made on the agreed day to the creditor's bank was not made on time if the bank credited it, according to continental custom, with "valuta next Monday".

The Intraterms are also aimed at protecting the seller against the anticipated insolvency of the buyer – an issue which, according to the law lord, Lord Mustill, has been exposed to almost every conceivable error by the courts and for which there are no generally accepted principles for the courts to follow.

Other controversial or unclear issues with which the Intraterms deal are fundamental breach, reservation of title, passage of risk and claims against the carrier, the merchantability and fitness for purpose of goods, indirect damages, and buyers lien in prepaid but rejected goods.

The chapter on resolution of disputes provides for alternative dispute resolution (ADR) and more flexible, faster and cheaper arbitration, in line with the thinking of the Department of Trade and Industry committee now considering this subject.

International Trade Terms by A H Hermann, published by Graham & Trotman jointly with the Centre for Commercial Law Studies of the Queen Mary and Westfield College, can be obtained from Kluwer Academic Publishers, Dordrecht, Netherlands, or the US office in Hingham, MA, 02018-0358 (157 pages, HB with diskette £53, $90 or Fl 165)

LEGAL BRIEFS

Mediation on offer in housing disputes

Britain's 1.8m registered housing association tenants are to be offered mediation as an alternative to litigation when in disputes with their landlords. This follows an agreement between the new ombudsman service established by the Housing Corporation, and IDR Europe, a mediation group. The Housing Corporation is a public body set up to distribute government grants to, and to regulate, housing associations in the UK.

This is the first time a public body has signed a formal contract to use alternative dispute resolution rather than resorting to the courts. It is a big step forward for the use of alternative dispute resolution in the UK.

IDR, with more than 120 trained mediators, will be called in to resolve disputes between landlord and tenant in cases where the ombudsman feels mediation is more suitable than court action.

Legal salaries

Salaries for lawyers working in commerce, finance and industry rose by an average of 5.8 per cent over the past 12 months, according to a salary survey of lawyers in industry published by Chambers and Partners, recruitment consultants. The highest average earnings were for the top 10 per cent of senior legal advisers aged 45 and over, at £170,189. The lowest, for the bottom 10 per cent of legal assistants aged 25-29 years, was £23,750.

Chambers says recession appears to have hit the banking sector particularly hard. Lawyers in banking were the second highest paid group in 1992, but ranked only eighth in 1993. Lawyers in the entertainment industry were the highest paid in 1993, with an average salary of £64,520.

MANAGEMENT: THE GROWING BUSINESS

When cash is a factor

Factoring and invoice discounting, both ways of raising cash against a business's invoices, have increased in popularity in recent years as companies have realised the limitations of the overdraft.

A factor will take over the administration of his client's sales ledger, provide credit protection and advance cash against invoices. An invoice discounter only provides cash.

But how does a company choose a factor?

Cash Flow Solutions, a consultancy*, makes the following suggestions:

- Check the financial strength of the factor and find out who are the backers.

The large bank-owned factors are all members of the Association of British Factors and Discounters but there are many sound factors outside the association.

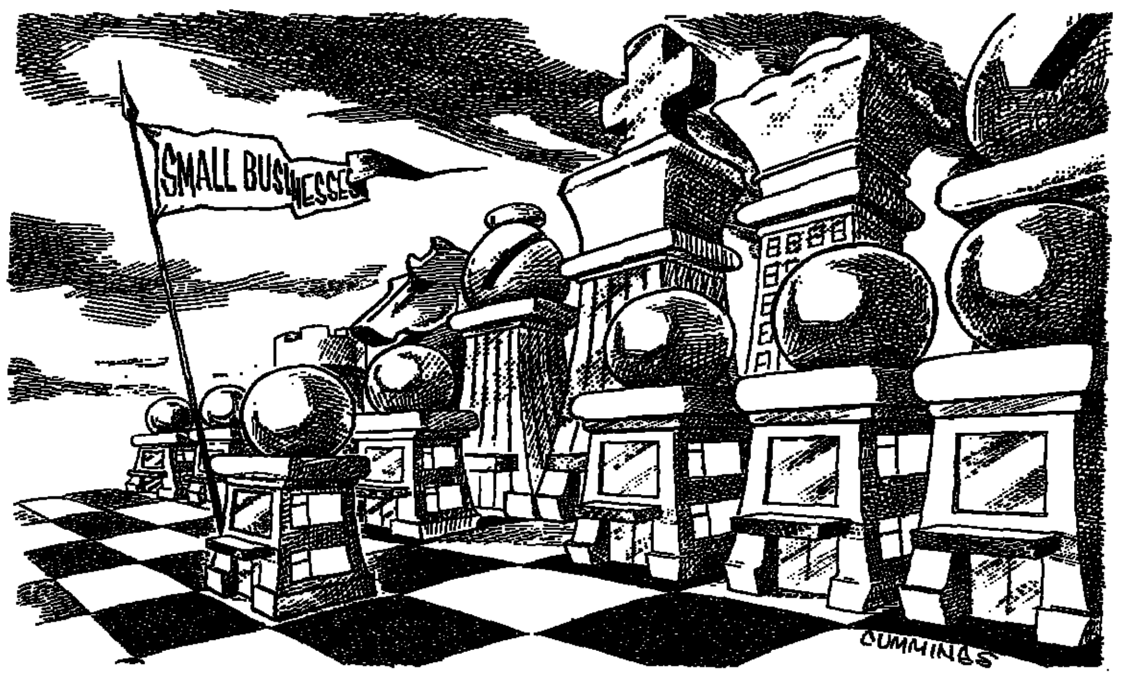
- Obtain the names of one or two of the factor's clients in your industry sector and ask them about the speed of service provided. How quickly are requests for increases in credit lines met? How helpful are the staff? Could the factor provide an export service if you started selling overseas and does he have an invoice discounting service if you outgrow factoring?
- How generous will the factor be in providing funds against invoices? One company was offered pre-payments of 33 per cent and 65 per cent by two different factoring companies. Are the credit limits offered by the factor adequate for your business and your customers?
- Check which fees the factor will charge. Is there a cost for transferring funds in addition to the administration fee? Are there any arrangement, commitment or renewal fees?
- Choose a factor which is within easy travelling distance. Although most contact will be by telephone or computer link-up, it helps to maintain personal contact.
- What happens if you want to end your agreement? The notice period required varies. Some agreements only allow notice to be given on the anniversary of the agreement: others permit termination within three months of written notice.

Tel. 0273 692567.

CB

Charles Batchelor, who leaves the growing business page today, looks back on the past seven years

Two moves on – one back



Six in ten of the businesses which started up in 1987, the year I began writing about small firms, will have shut down by now.

By no means all will have "failed", in the sense of going bust. Many will have been closed down by their owners for a variety of personal and business reasons; others will have merged or been taken over. But only 40 per cent will be trading in a form that would be recognisable to the outsider present at their birth.

Life for the individual business owner may be tough and full of uncertainty but the past decade has been one of improvement for the small business sector as a whole. Its contribution to the economy is now much more widely recognised. Small and medium-sized businesses, employing up to 500 people, account for 99 per cent of all businesses in the European Community and 72 per cent of jobs.

In the UK, schoolchildren are encouraged to run their own businesses, while graduates spend their long vacations gaining job experience in small firms; in Europe and the US, MBA students flock to optional courses on managing the small business.

Television programmes focusing on the activities of small companies have become popular with viewers, while regional development organisations, which once concentrated on attracting inward investment by large multi-national corporations, now regard encouraging local enterprise as an important part of their role.

In spite of the greater recognition small firms have won, surprising gaps still remain. The family firm still does not enjoy the same prestige in Britain as it does in continental Europe. The relative sophistication of the public stock market and the corporate finance sector in the UK make it attractive for growing companies to sell out or float.

Not that the public stock market is necessarily always welcoming to the new entrant. My first article on the Small Business page appeared in January 1987 and discussed the previous day's launch of the Third Market.

This market, intended as a home for dealings in the shares of young unproven companies, has long since disappeared and even the Unlisted Securities Market, whose success prompted the creation of the Third Market, is now under threat.

The problems small businesses have in raising capital have remained a constant theme over the past seven years although the public debate goes back at least to the 1930s.

It is unlikely that the debate about the "equity gap" will ever be resolved. Funds will never be available in the quantities demanded by the ambitious entrepreneur. This is not to say that the methods by which banks assess risk and the criteria which venture capitalists set for backing business should not be subject to regular review.

Both the banks and the venture capital industry have had their reputations tarnished in the past few years. Even at the height of the venture capital boom, in the late 1980s, concerns were being expressed at the venture capital industry's shift away from backing start-ups and early-stage companies.

The banks, too, have had to respond to increasing criticism that in the good times they lend too much and in the bad times too little. It is by no means clear that the banks, large organisations with centralised management structures, will be any more responsive to the needs of small firms during the next boom and bust cycle.

Finance is a perennial problem for small businesses, but other issues have come to prominence or faded in significance over the past seven years. In the mid-1980s the shortage of suitable premises was still a constraint on the expansion of small firms. The launch of short-lease "managed workshops", with shared reception facilities, and the impact of the recession on the commercial property market have changed all that.

But other challenges have emerged. Quality, specifically the quality management scheme defined under British Standard 5750, has become an important issue. Some small firms claim the standard is unduly bureaucratic while others have adopted it grudgingly under pressure from their customers.

The problems caused by the late payment of debt have become particularly pressing during the recession and its aftermath.

The need to reduce red tape has increased as European Community directives have been heaped on domestic legislation and hopes are currently centred on a new deregulation initiative launched with the backing of the prime minister, John Major.

In the early stages of small firms' rediscovery they were put in something of a ghetto. Much of the early press coverage portrayed them as quirky, quixotic ventures frequently engaged in homely, non-industrial pursuits.

A more realistic view has come to prevail in recent years and they are now seen as part of a broader economic picture. The FT's Management Page reflected this evolving perception by dropping the Small Business title in favour of Growing Business in January 1989.

In the 1980s there was also a growing awareness that maybe the problem was not so much in getting small businesses started – Britain had become rather good at this – but in helping them to grow. The independent, medium-sized company, a key element in German, French and Italian economies, is under-represented in the UK.

The government came to realise that backing more established companies made sense. They had survived the early, vulnerable stages and were less likely to go bust after public money had been spent on them.

But the government's record at helping small businesses can at best be described as mixed. Although an attempt is now being made to rationalise the network of small business support agencies by setting up one-stop advice shops, known as "business links", small firms remain confused by the plethora of public-sector schemes.

The creation of a network of Training and Enterprise Councils has allowed support to be tailored to local needs. But it has also destroyed valuable schemes such as the Small Firms Service, which provided a nationwide service of information and counselling.

The government, under pressure to "to do something" for small firms, has been unable to resist meddling. The Enterprise Initiative, an extremely successful government scheme which was extensively and expensively promoted, is to be modified and handed over to the Tecs. In preparation for this, funding has been reduced.

At the European level, the directorate general established to look after small and medium-sized enterprises, DG23, resisted the threat of merger with other directorates earlier this year. DG23 has had only limited success in representing smaller firms but it does have a distinctive voice in the sector.

But how important is the small business sector to government? In the UK, small firms ministers have changed with bewildering speed. Lord Strathclyde, appointed last month, is the sixth in seven years. None has had the time or the funding to make much of a mark. Fortunately for the small business community, the present trade and industry secretary, Michael Heseltine, takes a strong interest in small firms issues.

But the decisions which really affect small firms are taken in the Treasury, the Inland Revenue and Customs and Excise, all of which have other priorities. Small business lobbyists believe that it is these departments which have yet to be made fully aware of the impact of their decisions on small firms.

My seven years spent covering the small and growing business sector coincided with a government which adopted among its aims the creation of an "enterprise culture".

The recession carried away many of those hopes and many of the businesses themselves. Ensuring that business legislation, both new and existing, takes account of the needs of small firms, remains an unfinished task for government.

Small firms have been the only creators of new jobs in Europe and the US in recent years and are likely to remain so for the foreseeable future.

In a Nutshell

Avoiding the trap of software piracy

Software piracy, the unauthorised use of computer programmes, is on the increase, but so is the rate of successful prosecutions. The Federation of Software Theft (Fast) says it took proceedings against 200 UK companies last year and claims not to have lost a case.

Several free, one-day seminars to help small businesses avoid trouble has been arranged by Barclays Computer Operations and Deverill Computers and Communications. They will be held in Southampton. on October 27. Basingstoke, November 4 and Maidenhead. November 11.

Contact Joanne Fendley. Freefone 0800 581062.

Essex helps firms to go Dutch

Essex-based businesses should find it easier to trade with the Netherlands following the creation of a Dutch Desk by Essex Training and Enterprise Council. The desk will provide services such as establishing contact with Dutch companies. Some services will be free, others offered at a discount to the commercial rate.

Contact Essex Tec, Redwing House, Hedgerows Business Park, Colchester Road, Chelmsford. CM2 5PB. Tel. 0245 450123.

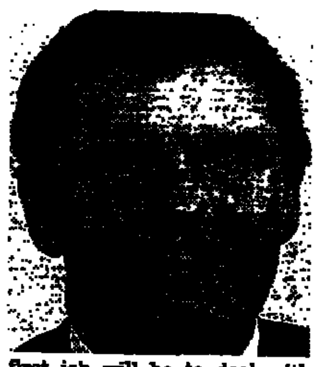
Key employees miss out on insurance

Small businesses are more likely to insure their furniture than their key members of staff, according to a survey by Legal & General insurance group.

A survey of 840 directors and managers from small firms revealed the loss of a key person would cost, on average, £40,000 in the first year. L&G estimates there are about 175,000 small, limited companies with an uninsured key person. Key protection cover is a form of short-term life or health insurance.

PEOPLE

Rapid elevation for Watson at Olivetti in the UK



Alan Watson's move to the top slot at Olivetti UK was sudden even by the computer industry's standards. Late in September he was still general manager of the company's customer support group, a position he had held since 1986. Two weeks later he had been elevated to control of the whole of the UK operations as Paulo Tosi, managing director for the past eight years, dashed back to Italy to take responsibility for Olivetti Systems worldwide, though he remains chairman of the UK operation.

Watson, now 52, says the succession had been planned for some months but the timing had taken everybody by surprise. These are unpredictable times at Olivetti, however, as Europe's second largest computer-maker struggles with floods of red ink and ever fiercer competition. Watson's first job will be to deal with the complexities of the annual budget-making process – a baptism of fire for a new chief executive.

Olivetti UK, however, is not in immediate need of succour. Indeed, it is a shining light in the Milanese gloaming. Under Tosi, it improved its market share and increased its revenues. Watson, as head of the fastest growing segment of the company, played a major role in Olivetti's advance. The group is now second only to Granada Computer Services as a supplier of third party maintenance services.

Watson trained as an engineer in south London and spent some time with Gillette Industries before joining the then British Olivetti in 1967 as a mangement trainee. He has held a number of positions in the UK company and spent seven years based in Copenhagen running the engineering activities of Olivetti Scandinavia.

He does not envisage making radical changes at Olivetti but argues: "We can do a lot more with our present resources," and has his eyes set on an award from the European Quality Foundation.

■ WASTE MANAGEMENT International, the rapidly expanding environmental services group, has appointed Humphrey Claxton to the new position of managing director in charge of the water depar-ment of its services subsidiary.

Waste Management, which is the UK-listed arm of WMX Technologies of the US, says the appointment will enable it to offer a full range of environmental services to industrial and municipal customers.

Claxton, 47, a chartered engineer with an MBA from Cranfield, has considerable international experience in this field, most recently as managing director of Costain Environmental Services and earlier with Portals Water Treatment.

Although Waste Management already provides water treatment services in a number of countries, Claxton's appointment is designed to provide co-ordination and leadership.

The group's newly formed water department "will be working on a number of big projects worldwide," says Edwin Falkman, chief executive. "These include expanding activities in those countries where we have a water business, such as Italy and the Netherlands, but more importantly in those countries where there is a substantial need for our total environmental services package, particularly in Asia."

Non-executive directors

■ Sir Christopher Bland who, as chairman of LWT, benefited substantially from the recent share option package, has resigned from STOREHOUSE; he had been on the board for five years and "wanted to do other things", a spokesman said.

■ James Kerr-Muir, finance director of Kingfisher, and Stuart Wallis, executive director of Bowater, at THE BODDINGTON GROUP; Paul Judge resigns on December 31.

■ Glenn Cooper, formerly deputy chairman and head of corporate finance at Henry Ansbacher, at PROSPECT INDUSTRIES.

■ John Lusher, recently retired from the main board of Marks & Spencer, at LISTER & CO.

■ Bill Goodall, chairman of Scapa Group, Volex and Hopkinsons, at MANWEB.

■ David Roberts, deputy group managing director at W.H. Smith, at NPI.

■ Rodney Galpin, former chairman and group chief executive of Standard Chartered, at CATER ALLEN HOLDINGS.

■ David Heywood, formerly deputy chairman at BAT, as chairman at REMPLOY on the retirement of Sir Ivor Cohen.

■ Bryan Rigby, former md at BASF, at MEDEVA.

■ Robin Gourlay, chief executive of BP Nutrition, at ANGLIAN WATER.

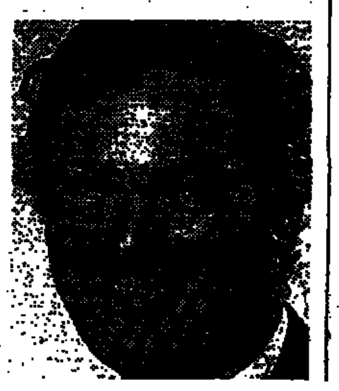
■ Tom Booth, chairman of Refuge Group and a former regional chairman of the CBI north west, at J.N. NICHOLS (VIMTO).

■ Richard Heseltine, finance director of Croda International, at OVERSEAS INVESTMENT TRUST.

■ Leonard Rose as chairman at WHOLESALE FITTINGS when he and the current chairman Dennis Rose retire from executive duties on April 30 1994.

■ Anthony Chatwell has resigned from UNITED BREWERIES.

■ Lord Tom Chandos (below), former corporate finance media sector specialist at Kleinwort Benson, at LOPEX.



Movements in the beerage

David Moffatt, finance director of Hanson Amalgamated Industries, has been appointed group finance director of Hoskins Brewery, the Leicester-based real ale brewer.

The move underlines the acquisitive ambitions of Howard Hodgson, the entrepreneur who became Hoskins' largest shareholder and chief executive two months ago. Hodgson, who bought a 9.6 per cent stake in Hoskins from Barrie Hoar, the company's former chairman, said in August that he planned to embark on a series of acquisitions to expand into associated business areas. He used such tactics during the 1980s to expand his family firm of funeral directors into the UK's largest quoted funeral services company.

Moffatt, 41, has worked for Hanson for the past seven years, having been employed previously by Imperial Group which Hanson acquired in 1986. According to Hodgson, Moffatt's "experience, particularly in the field of acquisitions and operational control, will complement that of the rest of the Hoskins board".

■ David Richardson, who for the past two years has played a key role in the development of Whitbread's restaurant and leisure division, has been appointed group strategic planning director.

He will "work with the board of directors to continue to refine the strategic direction of the company," says Peter Jarvis, group chief executive.

Richardson, 42, qualified as a chartered accountant with Touche Ross, and spent eight years with the firm before joining ICL as a management accountant.

He moved to Whitbread in 1983 and held a number of finance positions within the group before becoming planning director of the restaurant and leisure division in 1991.

■ Peter Gibbs, executive chairman of GIBBS MEW since 1967, died on October 22 at the age of 71; Tom Henderson, who was a director of J.A. Devenish before joining Gibbs Mew in 1992, has been appointed non-executive chairman.

LEGAL NOTICE

Notice of appointment of liquidator
Voluntary winding up
(Members or Creditors)
Pursuant to section 109 of the Insolvency Act 1986

Company Number: 2134422. Name of Company: RACSFACIT LIMITED. Nature of business: Property development and trading. Type of liquidation: members. Address of registered office: St Andrew's House, 20 St Andrew Street, London EC4A 3AY. Liquidator's name and address: Timothy R Harris, Coopers & Lybrand, St Andrew's House, 20 St Andrew Street, London EC4A 3AY. Office holder number: 2129. Date of appointment: 19 October 1993. By whom appointed: members.
Signature
T R Harris (Liquidator)
Dated 19 October 1993

Royal Ballet/Clement Crisp

Marching to a different drummer

It is difficult to know what to make of the programme with which the Royal Ballet opened its Opera House season on Saturday night. Advertised as "White-hot and Different" – a catch-penny phrase which makes no sense – it offers new works by apprentice choreographers Matthew Hart and William Tuckett, a third-hand exercise in kick-boxing by William Forsythe, and a revival of Kenneth MacMillan's "Different Drummer".

Were this ill-formed bill the precursor of a season of novelties, of fresh thinking, it might be seen as an artistic card boldly played. Not so. The Royal Ballet promises the return of last season's turkeys: the leaden "Don Quixote"; Glen Tetley's turgid "La Ronde"; the traducing of Ashton's film choreography for "Beatrix Potter" – and such rarities as "Cinderella", "The Nutcracker", "Romeo and Juliet".

Our national ballet has a duty to find its choreographers, and the evening acknowledges that fact. I doubt if the grand arena of Covent Garden is the place in which they should first seek to prove themselves. Matthew Hart, while still a student, made dances of promise. He is young – only two years in the company – and he has created one professional work, with Birmingham Royal Ballet.

For "Fanfare", his Opera House debut, he has been given a new score by Brian Elias and design by Yolanda Sonnabend. Wisely, he has opted for a small cast of three couples, and sought to expose something of their physical identities in a series of entries which have an ambiguous emotional air. Yet he has not really mastered his score, which is bold, clangorous with bells, richly varied in texture; nor his designs, which are opulently coloured gauzes and rather too exotic for the dance.

That Hart has talent, I do not doubt. Invention is fluent, and he moves his cast easily about the stage, though inconclusive hints of drama are more a tease than a flavour. But he needs experience on smaller stages, under less tremendous circumstances. Had I a wish for him, it is that he join the Birmingham troupe, and make a succession of ballets there – learning, creating, over a period of years, just as MacMillan, Cranko, and Bintley got to grips with their craft. Hart is too valuable to be sacrificed to the exigencies and tensions of Covent Garden before he has proved his métier.

William Tuckett's "If this is still a Problem" is its own problem. Tuckett – as we have seen in ballets made for Birmingham and at Covent Garden – is concerned with dance as exploration of emotional states. His pieces are patently sincere, but they come burdened with too many private messages, and not enough technical mastery. It was less than wise to impose his danced anxieties on the perfections of Ravel's piano trio. Twelve dancers, looking confused and at less than their best, drifted and rushed through the knee-high "angst", the girls in pallid long frocks and bathing caps, the men in basic tights. Andy Klunder's design appeared a bland variation on his "Gloria" setting. There were fraught moments when I feared we might be trapped in a "buddy ballet" – chap to chap, as it were. Nothing happened. Tuckett can do better than this, and the Royal Ballet should concern itself with guiding him.

About "Herman Schmerman", the Forsythe acquisition, I report that it was first staged for New York City Ballet in 1992, then mounted in Frankfurt on Forsythe's troupe. The accompaniment is, unsurprisingly, more borborygms from Thom Willems' central heating system. The first part comprises exercises for three girls and two men; the second part is an apache duet for Sylvie Guillem and Adam Cooper. The opening is unenterprising. The cast build brief, awkward blocks of classical steps, then lope away like athletes after a race. The text is fragmented, with movement given the occasional vicious kick – something from "Mugging for beginners". It is dull, disjunct stuff, where quick, distorting shafts of energy do the work of dance invention. The lovely girls, bare-legged and lit from above, are turned into advertisements for cellulitis.

The duet for Guillem and Cooper is more interesting. It proposes partnering as sparring, feeding upon Guillem's extraordinary looseness at the hip, so that steps rotate and reverse and turn in upon themselves. Cooper, dancing and projecting a character with fine assurance, is her match. It is unrelenting – albeit given savour by Guillem's extraordinary physique and Cooper's tough response to her – and arid, because mechanistic. With lesser artists it would be unbearable.

The revival of "Different Drummer" makes the evening worthwhile. MacMillan's exposure of Woyzeck's soul was created a decade ago. Its return, in the version he revised for the Berlin Ballet, reasserts the piece's importance as a brave expressionistic study. With Irek Mukhamedov as Woyzeck, the title role receives ideal interpretation. Here is Buchner's dumb-ox hero, brutalised, exploited, maddened. And, as Mukhamedov shows us, almost holy in his innocence. It is a frighteningly true, heart-tearing (and technically staggering) portrayal by a great dance artist. The other players – David Drew as the Captain, Adam Cooper as the Drum Major, Luke Heydon as Andres, Iain Webb as the doctor – are very fine. I thought Vivana Durante's Marie something too conscious – even too intelligent – though the role is excellently danced. The ballet is searing. Mukhamedov must be seen in it.

Royal Opera House, October 26, 27, November 10, 16, 24, December 2.

Alastair Muir

Partnering as sparring: Adam Cooper and Sylvie Guillem

Art/William Packer

Waiting for the final resolution in residence

Of all our larger public institutions, the National Gallery was the first, some 15 years ago, to make a studio available on the premises and to invite a particular artist to take up residence. The scheme excited controversy at the time, though quite why seems hard to fathom now. What did mere artists, those rude mechanicals, have to do with the old masters, that they should have such privileged access to the collections?

In practice it proved itself almost at once. Artists have always plundered the art of the past for their own reasons. In introducing the current show of the works of Ken Kiff, the latest to emerge from the scheme, the director of the National Gallery, Neil MacGregor, admits as much: "They have a double power. They are the exploration of an autonomous vision, entire in itself. But ... they are at the same time a revisiting of a painted world which I thought I knew and which I now see to be even richer than I had guessed."

But the scheme has changed its spots over the years. So rich and yet so various is the feast afforded by the collections that a certain maturity is required to digest it. From being an annual residency open to competitive application and immediately attractive to younger artists as an early step up in their careers, it has now become a matter of direct appointment as Associate Artist.

Ken Kiff has been thus in post for about 18 months, in which time he has come to work at the studio provided at the National Gallery more or less full-time. He is now 58 and for these dozen years past has been showing his work, on his own and in mixed company, with increasing prominence and regularity. Even so, he is not yet so prominent as all that. In a sense he is still a private artist, a painter's painter, a well-kept secret.

The work is intensely personal, quite as much in its physical and practical aspects, with its saturated colour and impulsive, sensual working of the paint, as in any of its imagery. And that imagery is fraught with reference and symbol, at once overt and yet densely ambiguous and private, funny yet frightening, erotic yet innocent. He knowingly embraces the full scope of the surreal and symbolist tradition at its most sophisticated, from Duccio to Pisanello, Patenier and Bosch, to Goya, Blake and Moreau, to Klee, Miro and Picasso. Yet he remains curiously and touchingly himself.

He has produced a mass of work, much of it unfinished and more to come. The final resolution can wait, for it will come. He has spent much time exploring the collections, from Filippo Lippi and Masaccio to Monet and Van Gogh. But in his work he has naturally, been drawn to the masters of magic and miracle, and in particular to the iconography of the Renaissance.

His is the narrative world of the *predella*, the altar-piece and the morality, the lives of the saints, the deaths of the martyrs, the Garden of Eden. The sun flowers in the sky, the snake which slips through the grass, the girl in the pool. And while these things remain unmistakably the product of Kiff's personal vision and elegant hand, we find ourselves, with Neil MacGregor, looking again at Bellini's monks slaughtered in the wood, or Pisanello's Holy Vision of St Eustace.

It is to Ken Kiff that we may well ascribe Baudelaire's "impeccable naiveté", the quality that by coincidence is cited as epigraph in the catalogue to the show of recent work by Howard Hodgkin. Many things he may be, and the most knowing and calculating of colourists: but Hodgkin naive? Never.

He is an abstract artist in the older and truer sense, moving from particular reference of place or person to its more generalised evocation by association, mood or trick of memory. The achievement is reductive in terms of imagery and the broad simplicity of the final sweeps of paint, cumulative in terms of the actual overlaying of paint. He has a seductive command of his material, most especially so the smaller the scale, to which he brings a visual concentration and intensity.

But now he has begun to move the other way, making paintings that are not exactly vast but are certainly very large for him. And what is lost in concentration is hardly made up by size and weight alone, or at least not yet. The paint seems thinner, the single sweep of the house-painter's brush, that in the smaller works appears so magisterial, seems now stretched, less certain and assured with more space to animate. But then again, it is only the pointless experiment that is ever vitiated by failure. We shall see.

Ken Kiff at the National Gallery, Trafalgar Square SW1, until January 9. Howard Hodgkin, Anthony d'Offay Gallery, Dering Street W1, until November 24.

From Patenier (unfinished): Ken Kiff's highly symbolic piece

Concert/Antony Thorncroft

Old hippie cool

Jackson Browne made a rare visit to London at the weekend: when a man's got a new album to promote, no sacrifice is too great.

In a way he has always been a distant voice rather than a solid body – the voice that spoke for a generation of soulful romantic 1970s students who indulged their broken hearts and painful ideals by listening to his songs of tortured relationships and fractured hopes. No handsome, intelligent, sensitive millionaire can have suffered so much at the hands of women.

For someone roughly handled by fate, and whose body has been rigorously exposed to the Californian drug culture, Browne looks in remarkably good shape: much better than his audience. The lank of bonny brown hair still sets off a sensitive, slightly hungry looking face; the voice remains high and yearning; the band is as accomplished as only a West Coast folk-rock combo can be.

And the new songs, generously, aired at the Cambridge Theatre, London, suggest Browne still has trouble with women, is still searching for personal fulfilment in a better world. But "My problem is you" and "I hear your heart beating everywhere" have a softer, almost Fleetwood Macish undertone: it is the laid back sound of Californian sunshine, the legacy of old hippie cool. Browne is not so pitiful now.

Indeed some of my favourite Browne songs of the past, guaranteed sobbers like "Here come those tears again" and "Fountains of Sorrow", were squeezed out of the programme. This was an up-beat Browne, glad to be here and intent on putting on a professional show for the BBC which was recording the concert. This meant that the tricky vibrato at the end of "Linda Paloma" had to be repeated to make sure the note was hit. Browne was a bit fussy generally, although he still managed to drawl away down conversational side roads.

Browne has promised a quick return visit. It is needed. This was a pleasant evening, but while he may have outgrown some of the great emotional ballads, for his fans the old days were still probably the best days. Some of the memory jerkers were performed. "The Pretender" now sounds pretentious but "Before the Deluge" powerfully evokes the fears of those dear dead days, and "Running on Empty" is now a classic rock standard.

No one was better at stretching clever metaphors over long pounding chords to voice the preoccupations of an era. Musically Browne has progressed little: this concert could have been preserved in aspic from two decades ago. But he now enjoys the carapace of a survivor, and has gone gentle.

Concert

Grace and finesse

SOME seven years ago, Isaac Stern gave the première of Peter Maxwell Davies's Violin Concerto at the composer's St Magnus Festival in the Orkneys. Then he introduced it to some larger centres, and in due course recorded it for CBS.

It was the first time that Maxwell Davies had composed a work expressly for a soloist of international renown; in the event, however, the great violinist sounded neither very sympathetic nor very well-practised in the piece.

The prospect of hearing György Pauk take it in hand on Sunday, with the original orchestra the Royal Philharmonic conducted now by the composer instead of André Prévin, was full of promise. Pauk is a prince among senior musician-violinists. Again and again, he has put his superlative technique, his sterling musicianship, his pellucid address and his Strad at the service of new music, when he might be devoting an easier life to the Classical/Romantic repertoire.

This time, however, Pauk's unstinting devotion set Sir Peter's Concerto in an unflattering light. He illuminated the solo role with grace and searching finesse, especially in the soberly beautiful two-part writing in his extended cadenzas but what was the orchestra doing? Nothing like enough. The brief moments of vivid exposition got no energetic follow-up. The ruminative first movement, denied the recapitulation it wants, instead declined sidewise into a mild Adagio; that, in turn, swung into a pallid "Scottish" rondo with a deflated coda.

Perhaps the RPO had had too little time to find its collective feet with the piece; or again, Davies as conductor may have been too intent upon cultivating his trees at the cost of any wider view of the woods. The effect, nonetheless, was of a luminous solo voice bobbing over subfusc, underargued support. It may be relevant that this concerto was a transition, a prelude to Davies's continuing series of "Strathclyde" Concerti for various principals of the Scottish Chamber Orchestra, which are mostly introspective studies. The Violin Concerto may mark an uncertain juncture between Davies' old lust for violent solo expression, and his newer interest in neo-classical form.

In the late 1960s and early 1970s, the time of his neo-Expressionist fame, his dramatic progressions were spelt out with lurid clarity. Now, Davies strives after "symphonic development" of a more traditional kind; but his ears remain atonal and serialist, and the old "development" procedures (essentially tonal) do not ring true. We can barely hear them.

Currently he has commissions for two more symphonies. A forceful new approach to large-scale form would be reassuring to hear. We need such a thing and so does Maxwell Davies.

David Murray

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight, Sun: Ken-Ichiro Kobayashi conducts Netherlands Philharmonic Orchestra in works by Arensky, Tchaikovsky and Rimsky-Korsakov, with cello soloist Pieter Wispelwey. Tonight (Kleine Zaal): Derek Lee Ragin and friends in Mendelssohn songs. Tomorrow and Thurs: Valery Gergiev conducts Royal Concertgebouw Orchestra in Bartok and Tchaikovsky, with piano soloist Krystian Zimerman. Thurs and Sat (Kleine Zaal): Bartok Quartet. Sat afternoon: Marek Janowski conducts Rotterdam Philharmonic Orchestra in Strauss, Wagner and Schumann. Sat evening, Sun afternoon: Tamas Vasary conducts Netherlands Chamber Orchestra in Mozart, Heppener and Haydn. Sun evening (Kleine Zaal): Combattimento Consort plays baroque concertos (24-hour information service 020-675 4411 ticket reservations 020-671 8345)

Muziektheater Tonight, Thurs, Fri, Sat, Sun: Dutch National Ballet in William Forsythe's Artifact.

Tomorrow: final performance of Netherlands Opera production of Orfeo ed Euridice (020-625 5455)

■ BRUSSELS

CONCERTS

Tonight (Conservatoire): Bartok Quartet plays works by Mozart, Schumann and Bartok. Tomorrow (Eglise du Sablon): Bernard Foccroulle and René Jacobs in a programme of Monteverdi, Frescobaldi, Couperin and others. Thurs (Eglise du Sablon): Ton Koopman directs European Community Baroque Orchestra. Fri (Palais des Beaux Arts): Adrian Leaper conducts Belgian National Orchestra in an all-Strauss programme. Fri (Eglise des Minimes): Gustav Leonhardt directs Freiburg Baroque Orchestra in Purcell, Bach and Rameau (02-507 8200)

OPERA

The Monnaie has Carmen tonight, Fri and Sun, with eight performances in Nov. Antonio Pappano conducts a new production by Guy Joosten, cast led by Graciela Araya and Richard Margison (02-218 1211). Steve Reich's music-video-theatre piece The Cave, Thurs, Fri, Sat, Sun at Lunatheater (02-218 1211)

■ CHICAGO

CHICAGO SYMPHONY

Georg Solti conducts Haydn's The Creation on Fri, Sat and next Tues at Orchestra Hall, with soloists including Ruth Ziesak, Anton Scharinger and René Pape. Kurt Masur conducts the Leipzig Gewandhaus Orchestra in symphonies by Mendelssohn and Bruckner on Sun (312-435 6666)

CHICAGO LYRIC OPERA

Final performances of Carlisle Floyd's Susannah, starring Renée Fleming and Samuel Ramey are tonight, Fri, next Mon and next Fri. Tosca, with Maria Ewing, Kristian Johannsson and James Morris, can be seen tomorrow and Sat, with further performances till Nov 12. Cosi fan tutte is revived on Nov 6 (312-332 2244)

■ THE HAGUE

ANDRIESSEN FESTIVAL

A series of concerts devoted to music of Dutch composer Louis Andriessen (b1939) this week at various venues in The Hague. More than 20 Andriessen works have been programmed, with music chosen by the composer, and films from documentaries to Tom and Jerry cartoons. The festival reaches its climax on Sat with a concert by the Hague Philharmonic Orchestra under Gerard Schwarz (at Anton Philipszaal) and a new staged version of Andriessen's M is for Man, Music, Mozart (at Vlaafslag in Scheveningen). On Sun, the six halls of the Theater aan het Spui play host to a simultaneous performance of music, film and video (070-360 9810)

■ ROTTERDAM

De Doelen Tonight: Gustav Leonhardt conducts Freiburg Baroque Orchestra in works by Purcell, Bach and Rameau. Tomorrow: Michel Plasson conducts Orchestre National du Capitole du Toulouse in Chausson, Magnard and Debussy. Fri evening, Sun afternoon: Marek Janowski conducts Rotterdam Philharmonic Orchestra in Strauss, Wagner and Schumann. Mon: Edo de Waart conducts Netherlands Wind Ensemble in all-Messiaen programme, with piano soloist Peter Donohoe (010-217 1717)

■ VIENNA

WIEN MODERN

Vienna's annual contemporary music festival opens tonight at the Konzerthaus with a performance of Bernd Alois Zimmermann's Requiem by the Slovak Philharmonic Orchestra and Chorus conducted by Zoltan Pesko. The other three featured composers this year are Erich Urbanner, Toru Takemitsu and Krzysztof Penderecki, who conducts his St Luke's Passion on Sun morning at the Musikverein. The opening week includes orchestral concerts conducted by Michael Gielen and Peter Eötvös. The festival, which runs till Nov 28, also features music by Messiaen, Birtwistle and Mark Anthony Turnage (712 1211)

OTHER EVENTS

Staatsoper Tonight, Thurs and Sat: Zubin Mehta conducts Il trovatore, with alternating casts including Cheryl Studer and Michele Crider as Leonora, Agnes Baltsa and Stefania Toczyska as Azucena and Sergei Leiferkus as Luna. Tomorrow: Il barbiere di Siviglia. Fri: Maria Stuarda. Sun: Lucia di Lammermoor (51444 2955)

Musikverein Tomorrow and Thurs: Armin Jordan conducts Orchestre de la Suisse Romande in works by Gaudibert, Bartok, Ravel and Roussel, with piano soloist Martha Argerich. Sat and Mon: Vladimir Fedosseyev conducts Moscow Radio Symphony Orchestra in two programmes, including music by Rimsky-Korsakov, Musorgsky and Borodin, with piano soloist Elisabeth Leonskaya. Sun: Nikolaus Harnoncourt conducts Concentus Musicus Wien in a Mozart programme. Next Tues: Jessye Norman song recital. Nov 6: Seiji Ozawa conducts Vienna Philharmonic (505 8190)

■ WASHINGTON

MUSIC/DANCE

● Lorin Maazel conducts National Symphony Orchestra in works by Dvorak, Gershwin and Johann Strauss tonight at Kennedy Center Concert Hall. Thurs, Fri, Sat: James Conlon conducts Mozart, Dukas, Britten and Ravel, with clarinet soloist Richard Stoltzman. Sat afternoon: Artur Pizarro piano recital. Nov 3: Mariss Jansons conducts St Petersburg Philharmonic Orchestra (202-467 4600)

● David Zinman conducts Baltimore Symphony Orchestra and Chorus in Elgar's The Dream of Gerontius on Thurs and Fri at Baltimore's Joseph Meyerhoff Symphony Hall, with soloists Anne Howells, John Aler and Michael George (410-783 8000)

● Dancers of the Bolshoi Ballet present excerpts from classical ballets tomorrow and Thurs at Center for the Arts, George Mason University. Pinchas Zukerman gives a violin recital on Fri (703-993 8888)

THEATRE

● Company: the Tony Award-winning musical comedy by Stephen Sondheim and George Furth (Signature Theater 703-820 9771)

● The Triumph of Love: Marivaux's 18th century romantic comedy. Till Nov 7 (Center Stage 410-332 0033)

● Half Off: Harry Kondoleon's surreal comedy. Till Nov 21 (Woolly Mammoth 202-393 3939)

■ ZURICH

Opernhaus Tonight: Carlo Franci conducts Macbeth, with a cast led by Simon Estes and Mara Zampieri. Tomorrow, Sat, next Tues and Fri: Nello Santi conducts Jonathan Miller's new production of Falstaff, with Juan Pons and Lucia Popp. Thurs: Rigoletto with Giorgio Zancanaro and Francisco Araiza. Fri: Cosi fan tutte. Sun: Don Carlo with Fiamma Izzo d'Amico, Giovanna Casolla, Vincenzo La Scola and Wolfgang Brendel (01-262 0909)

Tonhalle Tonight, tomorrow, Thurs, Fri: Claus Peter Flor conducts Tonhalle Orchestra in Schoenberg and Bruckner, with violin soloist Michael Erxleben. Sun: Andreas Delfs conducts Swiss Youth Orchestra in Wagner, Takemitsu and Beethoven (01-261 1600)

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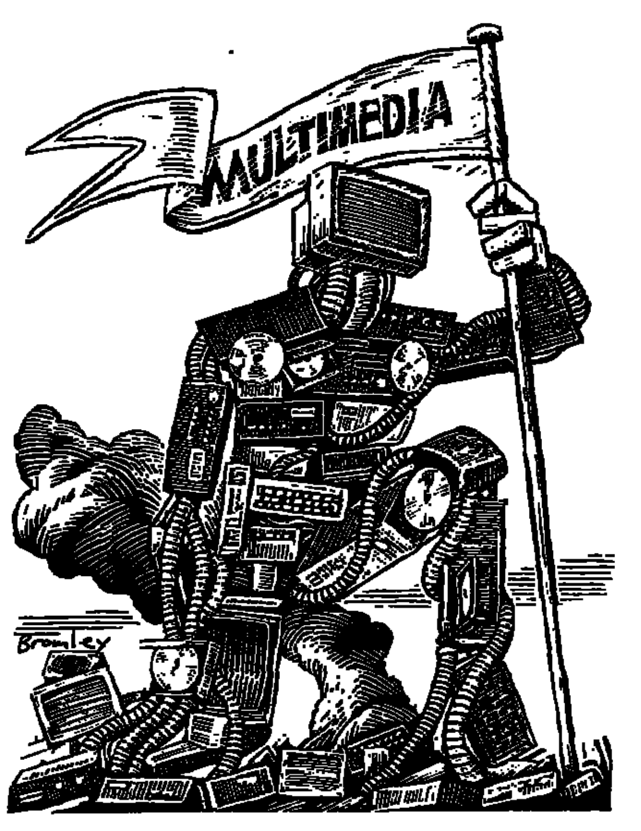
Salvage task for metal man

Japan's depressed electronics groups are seeking high-tech saviours, says **Michiyo Nakamoto**



A few years ago, it was not unusual to spot in Tokyo's rubbish dumps perfectly functioning TV sets or audio equipment, abandoned by their owners to make room for the latest model.

Today, Japan's hard-pressed consumers are loath to throw away anything, let alone buy another electronic gizmo for their small apartments. Yet the worst recession in 20 years is only one of a daunting list of problems facing the country's once world-beating consumer electronics groups.

Most of their main foreign markets are shrinking, at a time when the yen's rise has hit their price competitiveness. The domestic market, once a willing test-bed for new products, is saturated. In addition, the consumer electronics giants are short of the imaginative new gadgets they badly need to ensure future growth.

The impact of such pressures and shortcomings on consumer electronic sales has been considerable. The Japanese market's total turnover has plunged by 23 per cent from a peak of Y2,150bn in 1988 to Y1,657bn last year. Last month the mighty Matsushita warned that pre-tax profits for the year would be 35 per cent less than earlier forecast. Today, the company, along with Sharp, is likely to report lower profits for the past six months; Toshiba and Hitachi should be in a similar position on Thursday.

While the problem of product saturation was countered by the rapid rise in consumer spending of the late 1980s, recession has served to reveal the glutted home market. According to the Electronics Industry Association of Japan, 99 per cent of households have at least one colour TV; more than 75 per cent own a video-cassette recorder and 54 per cent, a compact disc player. "The era of continuing expansion is over," mourns Mr Nobuyuki Idei, a director of Sony.

When asset prices, particularly land, collapsed soon after the turn of the decade, the knock-on effect was to make consumers more price conscious. Consumer electronics companies were jolted by the realisation that they had lost touch with what their customers wanted.

Nothing illustrates the giants' sleepiness more clearly than their failure to spot the emergence of the video games market, where smaller, more entrepreneurial companies, such as Nintendo and Sega, have achieved dominance.

"Before we realised what was happening," admits Sony's Mr Idei, "the market was dominated by Nintendo and it was very difficult to get in."

Such strategic blindness has proved costly. The Japanese video games market saw sales rise 13.5 per cent last year, while VCR sales fell 12 per cent, according to the Ministry of International Trade and Industry.

Having missed out on the surge in video games, the pressure on consumer electronics groups to find growth areas is intense. Many observers agree that they need to look beyond traditional boundaries. "We cannot rely on consumer electronics alone," says Mr Tsuzo Murase, executive vice-president of Matsushita.

For some, the answer has been to diversify into the entertainment industry. Sony, Matsushita, JVC, the maker of audio and visual equipment, and Toshiba, the broad-based electronics company, have all bought stakes in US entertainment companies. Matsushita has invested in 3DO, a US start-up company developing a three-dimensional games machine, while JVC has launched a machine with Sega.

Another move has been to use digital technology, the basis for modern computing and telecommunications, to open the door to a range of possible new products. Compact discs are one example. Here, the boundaries are being expanded as discs begin to carry video as well as audio entertainment.

The marriage of computer technology and telecommunications could form the foundation for the growth business the consumer electronics industry is seeking. The electronics industry association of Japan estimates that the global market for such "multimedia" products could eventually be worth Y325,000bn a year. "Multimedia will enter the home so consumer electronics companies must participate in the market," says Mr Murase.

But the way forward for digital technology has not yet been mapped out. Exactly how companies will penetrate the home and workplace is a question Mr Murase and his competitors are struggling to answer. "The future of multimedia is not yet clear," he says.

The Japanese industry is still debating whether multimedia will take off as a sophisticated video games machine, a communications tool for business people, or a high-tech TV set that lets viewers communicate with each other.

One snag is that multimedia requires consumer electronics makers to venture into areas where they have little experience. Japan's competitors, particularly computer makers in the US, have greater expertise in digital technology and many have already introduced multimedia computers which can display videos, play music and send faxes. Companies in the US are also ahead of Japanese companies in developing multimedia software. Microsoft, the computer software company, recently launched a line of home business and entertainment programmes under the Microsoft Home brand, which will target the home computer user.

The Japanese have been forced to catch up by linking with US groups. Sony and Matsushita have bought stakes in General Magic, an Apple subsidiary developing communications software, and Matsushita has invested in EO, another embryonic US company which is developing personal digital communicators. "As telecommunications and computers combine, the relationship with the US becomes increasingly important," says Mr Yoichi Morishita, president of Matsushita.

It is clear that Japanese consumer electronics manufacturers will have to rely on the expertise of video games makers, computer companies and software developers in creating the vital partnerships that could herald future growth for the industry. Even with the help of such partners, Matsushita and its rivals will need skills far beyond their traditional business of making electronic boxes.

The test of whether Japanese consumer electronics companies continue to lead the world market into the next century is how they live up to this new and unfamiliar role.

Joe Rogaly

No need to talk to IRA

It *can* go on like this. The campaign of violence generated by the provisional wing of the IRA nearly a quarter of a century ago may continue for as long again. Sir Patrick Mayhew, the Northern Ireland secretary, said in the Commons on Friday that the price of defending democracy and the rule of law is always high, and always worth paying. "We shall defend them in Northern Ireland, if necessary at infinite length," he insisted. The thought is almost too awful to contemplate, particularly as we weep for the innocent victims of the Saturday night bombing in the Shankill Road. Surely something can be done?

Not much. Formulas for immediate peace depend on one of two unlikely starting points. First, the IRA provisionals could unilaterally renounce violence. The events of the past few days demonstrate their unreadiness to do so. Alternatively, the British government could offer concessions and negotiations in return for an undertaking to end the carnage. As Sir Patrick intimated again yesterday, there is no question of such a deal.

The courageous Mr John Hume, the Social Democratic and Labour party member for Foyle, will not accept this impasse. He is to be given credit for his motives, even if his hard work does not produce a successful result. He has been talking to Mr Gerry Adams, the leader of the political wing of the IRA. They appear to have been working on a delicate formula. Perhaps we should see the full details before we judge it, but rejection is the likely outcome. Any peace plan that involves formal negotiations with Mr Adams or Sinn Fein ahead of a complete and unequivocal renunciation of the use of terrorism as a political weapon will fail.

Some will protest that this is too inflexible a posture, that the situation is so horrible that it requires an abandonment of previously entrenched positions. The recent South African and Middle East breakthroughs are seductive examples in support of such an argument. The case does not, however, stand up to examination. It is true that President F W de Klerk released Mr Nelson Mandela from prison and negotiated with him, even though the ANC leader refused to disband his raggle-taggle and pathetically ineffective army. But the IRA cannot rely on this analogy. Irish republicans have the vote, both north and south. Mr Adams even won an election to the Westminster Parliament. South Africa's blacks could not vote. They have not yet done so.

The British people condemn, but offer no quarter to, the perpetrators of each new outrage

Again, the Israeli government has recognised and dealt with the Palestine Liberation Organisation, after years of swearing that it would not. But its overriding objective is survival. It has always seen its first duty as the defence of Israel's existence against a host of external enemies. At the time of the recent deal it had nowhere else to go. Mr Yasser Arafat, the PLO leader, was likewise in a corner. The other Arab states were not able to represent the Palestinian interest in direct talks with Jerusalem.

Here it is different. Britain is not, and will not be, threatened with obliteration by the IRA provisionals. No external enemies surround us. Sir Patrick looks to constitutional talks to further the peace process. The Anglo-Irish agreement provides for direct conversations between London, Belfast and Dublin; he will pursue those.

Principles apart, there is no *need* to deal with the provos. Think about it. There is no domestic political reason why the government should conclude a peace agreement with Sinn Fein, let alone with its terrorist counterpart. You might think that after 24 years of violent insurrection there would be a swelling chorus in favour of compromise, of doing a deal, of getting out, of ceasing hostilities at any price.

There is not. I recall a recent conversation with a senior minister. Our starting point was the catalogue of IRA and "loyalist" violence. Since 1969, no fewer than 3,089 people have been killed by terrorists in Northern Ireland alone. Some 2,156 of these were civilians. These figures include an increasing number of murders by "loyalist" paramilitary organisations. Murders on the British mainland are becoming commonplace. To remind you of just two – in Warrington in March an IRA bomb killed a three-year-old and a 12-year-old. This was part of a seemingly never-ending series of bombing campaigns, some pre-Christmas, some for Christmas, some aimed at "economic targets". The City of London has been sealed off since the summer; only yesterday travellers inwards from the west were inconvenienced by bombs at Reading and Basingstoke. Mr Tony Benn, relying on the House of Commons research department, said on Friday that the total cost of the emergency since 1969 was £14.5bn at current prices.

The senior minister pointed out that this unhappy story carries a strange moral, namely that *there has been no public demand for a change of government policy*. Mr Benn quoted opinion polls that suggest the opposite, but these were even less convincing than usual. The postbags of members of parliament are not stuffed with constituents' letters pleading for a deal with the IRA. The troops-out movement appears to have faded away; yesterday Labour was calling on the government to send more soldiers in. The British people are almost absurdly stoical. They express horror at every new outrage. They condemn, but offer no quarter to, the perpetrators. Each additional inconvenience to the travelling or working public is bitterly criticised, but rarely adduced as a reason for changing tack.

In sum, the political tide is against Mr Hume's plan. Mr John Major, who does not enjoy a reputation for firmness, would be greatly damaged were he to "give in to the IRA". That would be seen by the voters as losing a war, something alien to the British psyche. The prime minister is aware of this. He said at the recent Tory conference that "no government which I lead will negotiate with those who perpetrate or . . . support the use of violence". The Tories have restored their former name – the Conservative and Unionist party – in recognition of the reality that Mr Major's government, which commands a majority of just 17 with Conservatives alone, frequently has to importune nine Ulster Unionists for support. Heaven knows what has been promised in return, but we can be sure that a deal with the provos before they lay down their arms is not part of it.

LETTERS TO THE EDITOR

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At what cost new funds?

From Peter Milne.

Sir, Richard Lapper's piece ("Back from the abyss", October 22) on the arrival of corporate investors at Lloyds gave some useful background for potential new investors to bear in mind. The extent to which the new corporate vehicles will be exposed to past losses seems unclear, which must be a concern. The other fairly big reservation I would have is just how much is going to be extracted in expenses before the investor receives his return.

To the famed rapacity of those at Lloyds, something now has to be added for all those nice merchant banks and brokers, not known for undercharging, who have suddenly become so enthusiastic about the new Lloyds product. No doubt all this will be clearly set out in the prospectuses.

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BR privatisation bid essential to send 'message of hope'

From Ms Ruth Evans.

Sir, Your editorial, "Right lines for rail privatisation" (October 22), argues that British Rail should not be allowed to bid against commercial operators to run train services on the grounds that BR could win most of the franchises by cross-subsidising its bids in order to fend off competition.

The National Consumer Council cannot agree with this. If the intention of the government's rail privatisation programme is to lead to improved rail services, then BR *must* be allowed to bid. This would send a message of hope to the many thousands of disenchanted rail users up and down the country, by letting them know that the government is serious about achieving this aim. It can only be to the consumer's advantage if BR's services are forced to meet the rigorous standards of service set down by the new franchise authority.

We can envisage no better discipline for BR than for it to be subject to these controls over fare and service levels. Quite simply, if BR did not provide value for money it would lose the franchise.

The alternative is to leave BR to run the services that nobody else wants to run. Our National Consumer Council's concern is that, all too soon, this could lead to a two-tier rail service, in which BR becomes a provider of last resort, rail fares climb higher still, and rail passengers are the losers.

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A test for unit trust managers

From Mr David Landman.

Sir, Lex makes the point that some unit trust managers are against the Securities and Investments Board proposals, because it would be "more difficult for them to make profits by holding units on their own account ready for resale" ("Unit trusts", October 22).

Somewhat *similar* behaviour by stockbrokers and traders has been punished severely by stock exchanges everywhere.

Could you publish a list of unit trusts which do *not* engage in this practice and also an interview with a fund manager who does? The interview should give him the opportunity to explain how he keeps the investors' interest paramount, and he may also tell us what happens to the units he has bought when the market takes a sudden fall.

David Landman,
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Falling pound

From Mr John Miles.

Sir, Geoffrey Howe ("The triumph and tragedy of the Thatcher years", 23/24 October) includes as one of Margaret Thatcher's triumphs "the remarkable success we achieved against inflation".

As one who chanced to start to draw a non-inflation-proofed pension in 1979, I have often wondered if the pound has ever lost more of its value under any other prime minister.

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Audi aluminium car a questionable 'Vorsprung'

From Mr Christian Etzel.

Sir, John Griffiths (Technology: "On the road to the future", October 22) portrays the use of aluminium in the manufacture of cars as an innovation. While this is true of the use of a space-frame in a high-volume car, other car makers such as Land-Rover and Rolls-Royce have used aluminium for some time.

What has made cars heavy over the years are safety features such as anti-lock brakes, air bags and side-intrusion protection beams, as well as the use of electric motors to power just about anything that moves, while car bodies have increased comparatively little in weight.

The argument that aluminium bodies will last much longer than their steel counterparts is certainly valid – witness the longevity of Land Rovers – but Audi body shells already outlast the mechanical components. Is Audi addressing a problem that does not really exist? Higher manufacturing costs and presumably a higher purchase price will also affect insurance premiums. A car requiring such complex production is likely to require complex repairs. Aluminium body panels are usually replaced rather than repaired.

While the ASF Audi is an interesting experiment, it does give the impression that Audi is rather desperate to upstage its technological feats of the 1980s – the low drag Audi 100, the five-cylinder engine and the Quattro – at any cost. But is it a real "Vorsprung" that will put cash in Audi's till?

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Size of UK theatrical business no justification for subsidies

From Mr David Sawers.

Sir, Mr Cameron Mackintosh (Personal View, October 14) protests too much about the virtues of subsidies to the arts and the evil effects of their reduction.

The size of the British theatrical business and the revenue earned from subsidised productions are not justifications for subsidy. Every business in Britain could claim that it would perform better if it had more aid from the government: but who would then finance the subsidies? And experience of other industries suggests that subsidies reduce rather than increase efficiency – improvements in which are the source of economic growth. Any economic benefits from the theatrical business are likely to be local; theatres may attract visitors to one place rather than to another. That is one reason why I suggest that any subsidies should result from local decisions, not come from central government (Personal View, September 30).

It is not surprising that talented artists and entrepreneurs have gravitated towards the cheapest and most abundant source of funds, the subsidised sector, or that unsubsidised theatres show productions which have, to varying degrees, had their costs reduced by subsidies. But it is improbable that all the talent in the subsidised sector was drawn to the theatre by subsidies, or that it would all leave the theatre if subsidies were withdrawn.

The British theatre managed to attract quite a lost of talent before it first received subsidies in the 1940s, and there is a much richer and better-educated public to support it now. The present strength of the British-theatre must be at least partly attributable to this increasing wealth and sophistication of its audience, which is also the strongest guarantee of its future health. If educational standards and incomes continue to rise, the market for the arts will continue to grow – and the case for national subsidies will become progressively weaker. I believe that the government should promote knowledge of the arts through the educational system, so more people can appreciate them.

It is not just high-profile theatres that attract upper-class audiences, as Mr Mackintosh suggested. A survey of audiences in Glasgow, Merseyside and Ipswich in 1985 found that 73 per cent came from social groups A, B and C1, although they formed about 33 per cent of the population.

A reduction in subsidies might reduce the profitability of new productions, so their number and cost would be reduced, and producers would seek a larger audience for each play. The earnings of those concerned with production might fall; but their incomes do not deserve tax payer support. Any reduction in choice seems unlikely to reduce the audience significantly, because theatre-goers on average attend only two or three performances a year. Loss of national subsidies should not be the disaster Mr Mackintosh believes.

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FINANCIAL TIMES
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France's air of confusion

IN THE overall economic scheme of things, the skirmishing over the future of Air France between the French government, the company's management and its workforce may seem of limited and local significance. Politically, however, it represents a reversal of large and ominous proportions.

By climbing down under union pressure and scrapping the rationalisation plan it had six months ago encouraged Air France management to adopt, the government has not only demolished the position of the chairman, Mr Bernard Attali. It has sent out the clearest possible signal of its own weakness in the face of the multifarious special interests that recession and economic restructuring have brought clamouring to its door. Those of France's European partners who want the Community's industrial structures to continue adapting to competition within and without, rather than retreating behind a wall of subsidy and trade protection, have a right to be concerned.

That would be an excessively harsh judgment to hang on the events of the last two days if the government's handling of Air France were the only sign of its confusion. The trouble is that it is not. Over the Uruguay Round of multilateral trade negotiations, over economic and monetary policy and even potentially over his programme to privatise state-owned industry, Mr Edouard Balladur, the prime minister, looks increasingly adrift in a sea of conflicting pressures and demands.

Hobson's choice

In this he is, of course, not exactly alone. All EC governments are grappling to a greater or lesser extent with problems of rising unemployment, uncompetitive industry, sluggish growth and high public sector deficits. From Wolfsburg to Wolverhampton, companies and their workers are having to look afresh at the structure and costs of labour, and politicians are struggling to redefine the role of the state. In France, however, the difficulties seem especially acute – in part because of the more prominent role the state has traditionally played in the economy, but also in part as a result of Mr Balladur's failure to explain the consequences of his own policies.

On the Gatt, he has himself admitted the Hobson's choice he faces: between the domestic crisis that would result from his accepting the terms likely to be on offer from the EC and France's other trading partners, and the international crisis that would ensue if he refused. But although this is a dilemma in part of his own making, he has barely begun to point a way out of it, or to tell protesting farmers that, Gatt or no Gatt, their industry is in secular decline.

Job losses

On monetary policy, the government is still behaving as if the currency crisis of this summer never happened. By failing to take advantage of its new-found freedom to cut interest rates, it is prolonging and deepening the recession – and fuelling the clamour against job losses. Over time, this could seriously complicate the privatisation policy that has thus far been the government's one big success, by preventing necessary restructuring at such companies as Groupe Bull and Air France. Instead of decisively reducing public ownership and increasing the ability of French industry to compete in the European market, Mr Balladur may thus find himself endlessly juggling demands for subsidies from badly managed state companies – and coming increasingly into conflict with France's EC partners as a result.

That is why Air France is such an important test case. Until Sunday, the government agreed that Mr Attali's painful restructuring programme was "indispensable" if the airline was to be able to compete with other streamlined carriers in the liberalised EC aviation market. Now it appears to be suggesting that a softer option exists. Worse, Mr Balladur's *volte-face* has merely encouraged public sector unions to try their luck against other tough but necessary management decisions in future.

It is certainly true that decisions of this kind can only be implemented if a political consensus can be mustered behind them. But by giving in on this occasion, the government has not taken a step towards creating such a consensus; it has merely postponed the evil day, and given encouragement to those who urge the EC to turn away from the market.

Hard choices for defence

THE STRUGGLE between the Ministry of Defence and the Treasury over the size of the British defence budget has become one of the predictable issues in this autumn's public expenditure round. Whatever the short-term outcome of this struggle, the absence of any prospect of war, and the pressure of Britain's public spending problems combine to ensure that the defence budget is bound to seem a tempting source of savings.

Under current plans the UK will spend around 3 per cent of gross domestic product on defence in the late 1990s. This is less than the 5.3 per cent of the mid-1980s, but more than most of Britain's European allies. But the right level cannot be determined simply by this criterion or by comparison with other public spending priorities.

Britain has a relatively impressive military capability and a military record of which it can be proud. But it must now adapt to new circumstances. Armed services have to plan, no longer against a known enemy, but against the unpredictable. Nobody knows what or where the next "threat" will be, its size or direction, or its order of battle. This means the government has more difficult choices than before about the kinds of forces it needs to provide, and where.

Clamorous warnings about the damage further cuts would cause are largely unhelpful. The House of Commons defence committee has warned that military capabilities could fall below the minimum level necessary for national security and that, already, the navy could not protect the nation's sea-lanes. But there is no conceivable direct outside threat to the UK that would not involve its allies, and few tasks it would want to take on overseas on its own.

Foreign policy

What is needed is a clear foreign policy framework within which Britain's defence commitments can be set. The Ministry of Defence, in its last white paper in July, laid out 50 distinct tasks which the armed forces carried out. The message it wanted to send to the Treasury was, first of all, that the military often fulfil two or more tasks for the price of one and, secondly, that there is no room for further cuts unless the government is ready to drop some defence commitments.

The argument was disingenuous. In many cases, such as Britain's contribution to Nato reaction forces, the actual requirement in terms of men and equipment is not subject to any fixed measure. It is as much as you want to make it.

More selective

Although the forces have undergone substantial cuts and reorganisation under the 1990 Options for Change review, there has been no sacrifice in the range of military capabilities provided. The challenge for military planners is that they will have to more selective. While it may be possible to absorb some short-term financial cuts though improved efficiency and cheeseparing, there are hard choices that must be faced.

If Britain wants to keep its Royal Marines, for instance, there is little point unless it provides the ships and helicopters they need. But that might have to be at the cost of anti-submarine frigates. Modern attack helicopters might be regarded as a higher priority for the army than tanks. But reducing Britain's armoured presence in Germany could call into question its leadership of Nato's new rapid-reaction corps.

With defence budgets being squeezed throughout the Nato region, the trend must be towards a sharing of responsibilities between European allies. In so far as this makes European defence efforts more effective, it could help to encourage a continued US commitment to the alliance.

In the very short term, the room for manoeuvre is limited. On new equipment projects due for service in the next few years, much of the money has already been spent or committed. The armed forces also have some justification in asking for a breathing space after the upheaval of the reductions which followed Options for Change. But it is not too early for the government to provide a sense of direction, putting defence in the context of a shared European discussion rather than a narrow domestic public expenditure argument.

A loss of nerve in mid-flight

The French government's climbdown in the Air France strike could prove costly, writes **John Ridding**

The government of Mr Edouard Balladur, faced with its first serious industrial dispute since taking office in March, quickly climbed down from the brink.

The withdrawal of Air France's controversial cost-cutting plan on Sunday night was aimed at preventing the escalation of a strike that had paralysed the loss-making airline for the past week. The prospect of today's "Black Tuesday" industrial action, with unions at Air France's domestic subsidiary and the Paris airport authority planning to join forces with striking ground staff, fuelled fears of a winter of public sector discontent. It forced the government to promise that a new recovery package for the airline would be negotiated over the next three months.

The declaration was quickly followed by the resignation of Mr Bernard Attali, the airline's chairman, who had drawn up the plan to cut 4,000 jobs by the end of next year and reduce overtime pay. He had argued that the measures were crucial for the group's survival.

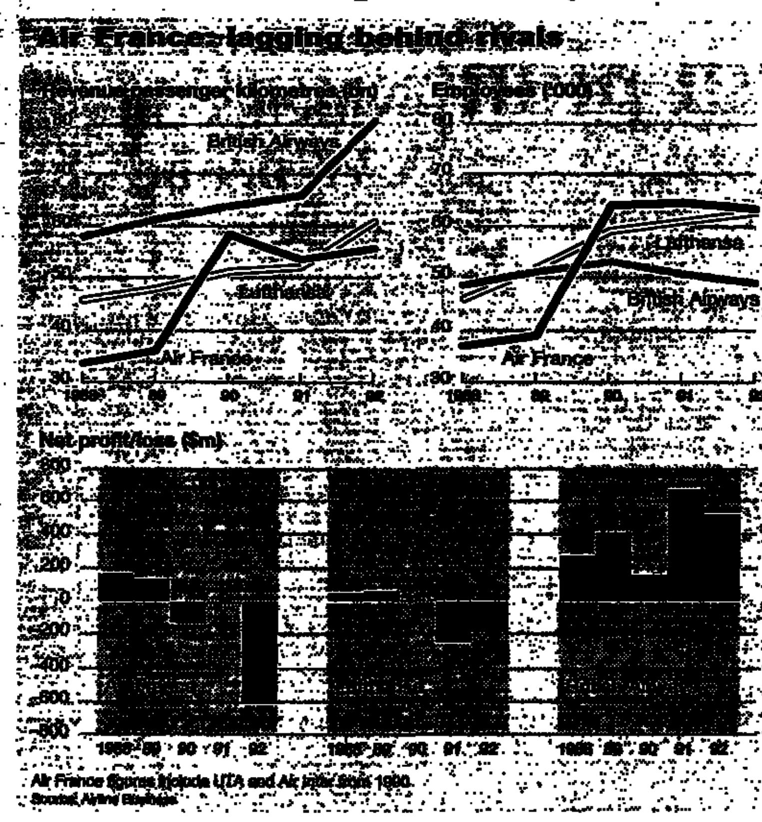
The government's concession on the plan and Mr Attali's departure should help defuse the conflict at the state-owned airline after today's strikes. But Mr Balladur and his colleagues may find the costs greater than the benefits. The problems at the airline are being shelved, not solved. More significantly, the dispute highlights the dilemma facing the Balladur government as it seeks to restructure French industry and privatise public sector groups, while trying to prevent social unrest in the face of an unemployment rate of 11.7 per cent and rising.

The events at Air France represented the first significant test of how the government would respond to this dilemma. Its reaction is the clearest evidence so far that unemployment and the consequent threat of industrial strife are creating a barrier to reform that the government is unwilling to breach.

This is implicit in the government's justification of its decision. "We cannot save Air France while clashing with all its employees," said Mr Bernard Bosson, transport minister. "Because we must have social peace, we must change the plan."

But by backing down in the airline strike and abandoning the cost-cutting plan, the government may find that its hand is weakened in its pursuit of industrial restructuring. The case could encourage other unions to press their causes through industrial action and complicate, rather than ease, the implementation of economic reforms.

Even at Air France, social peace is not guaranteed. While the unions that spearheaded the protests said



Air France employees demonstrate at Orly airport, Paris

they would return to work tomorrow, Air France, which suffered losses of FFr3.8bn (£440m) in the first half of the year, remains in urgent need of restructuring.

Mr Bosson has said that the 4,000 job cuts in Mr Attali's plan are still necessary, although he believes they can be implemented without involuntary redundancies. But delicate negotiations will be required if a repeat of the unrest is to be avoided. Public sector trade unions said yesterday that they were satisfied with what they described as a "first victory", but warned that they would continue to press their case against cuts in pay and overtime rates in negotiations with the transport ministry.

There are grumblings of public sector discontent elsewhere, too. The Confédération Générale du Travail, the left-wing union group which was at the forefront of the Air France dispute, has called for a day of protest on November 18 against job cuts. This is expected to hit France's railways and several public sector companies, including Aerospatiale, the aerospace group, Snecma, the aero-engine manufacturer, and Groupe Bull, the computer group.

Disgruntlement is also evident in the postal service and at France Telecom. A one-day strike on October 12 drew wide support from workers at these groups, reflecting fears of job cuts and opposition to the government's employment bill. Unions perceive the bill, aimed at increasing the flexibility of labour law, as an attack on their powers.

For the moment, the risk of widespread public sector unrest appears limited, partly because of continuing divisions among different unions. Several union groups, including Force Ouvrière, the radical federation that is prominent in the Air France dispute, have indicated that they will not participate in the November 18 protests. And at the weekend, the government reached agreement with four public sector unions over pay for civil servants. The deal, which gives civil servants a pay rise of 5 per cent for the next two years, avoids a potentially damaging impasse.

The events at Air France, however, have given France's trade unions a boost. "Yes, it is possible to win," said Force Ouvrière in a statement. "The employees are victorious." Moreover, the rise in unemployment, forecast to exceed 12 per cent by the end of the year, will continue to provide fertile ground for disputes.

But faced with a growing budget deficit – targeted at FFr317bn this year – and the need to prepare public sector companies for privatisation, the government urgently needs to improve the efficiency of state-owned industry. It cannot afford to support loss-making enterprises indefinitely. Without substantial reform, including job cuts, it will also be difficult to find buyers for the state's industrial assets.

The case of Air France, which is one of the 21 publicly owned groups slated for sale, illustrates the difficulty in striking a balance. But there are other cases too. The government is anxious to sell the loss-making Groupe Bull as quickly as possible to ease the drain on public sector funds. Earlier this month it was forced to inject FFr7bn into the group to cover its accumulated losses. To restore the group to profitability, however, will require cutting at least 2,500 jobs, according to industry observers.

For the moment, the government's dilemma is eased by the fact that the groups which will begin the privatisation campaign are in relatively good health. Banque Nationale de Paris was successfully sold earlier this month. Rhône-Poulenc, the chemicals group, and Elf Aquitaine, the oil and gas group, which are next on the auction block, should also enjoy smooth sales. But the scale of the problems at Air France, Groupe Bull and other public sector groups such as Thomson-TCE, the consumer electronics group which is also losing money, requires remedies to be implemented quickly.

Mr Balladur can take some solace from a number of encouraging factors. The threat of industrial disputes is restricted largely to the public sector. Mr François Perigot, head of the French employers' federation, points out that the number of strikes in the private sector has fallen to the lowest level since 1945.

Recent economic indicators have also suggested the end of recession, and hence rising unemployment, could be in sight. Industrial production figures released last week showed a rise of 1.3 per cent in July and August over June, while housing starts in the third quarter increased by 8 per cent. Last week's interest rate cuts by the Bundesbank allowed France to follow suit.

Even with the government's optimistic scenario of a recovery from the fourth quarter of this year and 1.4 per cent growth in gross domestic product next year, however, the effect on unemployment will take time to feed through. Economists in Paris estimate it will take two or three quarters after the economy starts to recover before the rate of joblessness will stabilise.

Industry chiefs will continue to press for cuts in staff, and unions will resist. Air France is unlikely to represent Mr Balladur's final journey to the brink. On the evidence of that dispute, he seems unlikely to take the bold steps required to withstand the threat from unions.

Feudal system in the sky

Paul Betts and **Daniel Green** on the obstacles to restructuring and profitability at Air France

In putting off the radical restructuring of Air France, the French government is taking an enormous gamble.

According to Mr Bernard Attali, who quit as chairman of Air France on Sunday, the government has simply lost its nerve. The airline union had strongly opposed Mr Attali's restructuring plan, involving 4,000 job cuts, a reduction in routes and capacity, and the sale of non-core assets including a stake in the Meridien hotel chain.

The survival of Air France is not at risk, so long as the French government continues to see it as a strategic national asset. But its viability as a profitable international airline is in the balance.

Lean and aggressive US carriers have whittled away at Air France's share of the North Atlantic routes. Between 1991 and 1992, Air France increased its north Atlantic capacity by 8 per cent. The US carriers increased theirs by 30 per cent. This is also evident in airline growth measured by revenue passenger kilometres, the most common industry measure – the number of fare-paying passengers multiplied by the number of kilometres flown.

European deregulation took off at the start of this year, giving carriers new freedom to operate in other European countries. Lufthansa has launched a low-wage cost subsidiary for short-haul routes as part of a programme which includes 8,000 job losses.

BA, too, pays lower wages on its BA regional operation which works out of non-London UK airports. A year ago, it also took over the low-cost operation of Gatwick-based Dan-Air, and has a stake in budget French carrier, TAT.

This shows up in productivity figures. Between 1988 and last year, Air France's sales per employee rose 12 per cent to $168,000. At Lufthansa, the rise was 22 per cent to $173,000; at BA, the increase was 32 per cent to $190,000.

Mr Attali conceded two weeks ago Air France had been slow to address its cost base – one of the heaviest in the industry. The risk was the airline could be left behind when its main competitors were already well down the road of restructuring and were showing improvements in profitability.

Even Lufthansa of Germany, with its own difficult labour situation, has won important concessions from its union and is showing signs of improvement.

For Air France, the old "fortress France" strategy is beginning to show deep cracks. Government protection has been increasingly

> Air France has been run more by civil servants than by professional airline managers

undermined by the global nature of the airline business and the European Commission's resolve to open up European skies and clamp down on state subsidies.

Air France has recently lobbied the EC's committee of "wise men" investigating the problems of the European airline industry, pleading for a return to controls on capacity and fares and for EC funding for troubled airlines.

This has been rejected, under pressure from a powerful lobby of more liberal member states including the UK and the Netherlands. As Sir Colin Marshall, BA's chairman, told the EC wise men, if an airline was unable to restructure itself to become competitive it should be allowed to go out of business.

All airlines have been hit by overcapacity and prolonged recession. Air France has been worse hit because the French market, now in deep recession, accounts for about 40 per cent of its traffic.

Mr Attali's strategic acquisitions and marketing partnerships have strengthened Air France's international reach. But underlying problems must still be addressed. Apart from entrenched union opposition, it has lacked strong management.

This reflects its political nature. Air France has been run more by civil servants than by professional airline managers. Mr Attali was no exception. He took over four years ago because he was strongly favoured by the Elysée palace, where his brother, Mr Jacques Attali, had long been a close confidant of President Mitterrand.

Air France has been a feudal barony, with management factions fighting each other, with the sides being decided by political and civil service colours.

Mr Attali accepted the need for change, but attempted a delicate balance between restructuring and maintaining the political consensus to enable him to run the airline.

Market pressures forced him to act vigorously. Indeed, he claimed the government had been closely consulted in his latest restructuring plan and that he had its full backing until a few days ago. The risk now is that, as the rest of the industry starts to recover, Air France will still be shackled by its past and will fail to take advantage of the eventual recovery cycle in the airline industry.

Even if the government is prepared to pay this price, it may find it particularly difficult to continue supporting the airline when state aids are coming under attack from Brussels and other big international carriers are turning themselves into fitter competitors.

OBSERVER

Rebels and heroes

■ Mikhail Poltoranin, head of Russia's Federal Information Service, says he was never in favour of censorship. Yesterday, he was certainly giving pretty free rein to his own version of what happened a month ago in Moscow.

Poltoranin claimed that he had known a day in advance that there was to be a parliamentary rebellion. He therefore warned Victor Yerin, the interior minister, to make sure that the television station was properly guarded. But he was told, he says, not to worry: "We've got our own disguised people inside".

Sure enough, the next day the rebels stormed the TV tower, in a battle which cost several lives. They were "provoked" into doing so by the fact that it was not visibly defended, claims Poltoranin. And, he says, censorship was imposed on the press afterwards in an attempt to suppress the truth about the incompetence of the security forces.

Indeed, Poltoranin continued, he had seen a decree one week before the rebellion, which planned for emergency rule and censorship, but had managed to get the reference to censorship removed. When censorship was imposed despite his heroic gesture, Poltoranin further claims that it was his telephone calls that persuaded President Yeltsin to order its immediate lifting.

Proof, if such were needed, that chaos rules at the top, and that presidential rule gives the president's aides plenty of room to pass the buck.

And what happened to Yerin the Unready? He was subsequently rewarded with a medal making him a Hero of Russia.

Mistaken identity

■ Whatever is the significance of those two unfamiliar Asian businessmen who appear in Midland Bank's brand new national advertising campaign?

"Shekor and Anil have a good business proposition. And we have a billion pounds to lend", boasts one of the many banks that has in the past been criticised for throwing good money after bad. "And we're lending some of that money to Shekor and Anil. And it's not a mistake; we did say a billion", it rounds up, less than wholly clarifying the matter.

What the reader should have realised, it transpires after some considerable research around the various divisions of Midland, is that Shekor and Anil are "real small businessmen" – owners of an Indian restaurant in London, as it happens. And the bank has recently made available an extra billion pounds to lend to just such small entrepreneurs.

But Stuart White, head of small business at Midland, has some sympathy with the confusion generated.

"I'm a simple Yorkshireman; any ad I might write would never get past all those creative types," admits White, before adding that it was a mistake that the "mistake" bit was included in the final copy – accidentally left in from a very early draft.

'I'll have to see its ID card before I can christen it'

Lotta washing

■ Joao Alves, the Brazilian federal deputy accused of masterminding a huge corruption scheme in the government's budget, seems to be temporarily down on his luck.

Giving evidence in front of a special inquiry into the scheme, he explained how "thanks to God" he had been fortunate with money since the late 1980s. Not surprisingly, there was considerable interest as to how, as a poorly paid congressman, he had built up a personal empire now worth an estimated $5m, complete with luxury apartments, farms and even a rented Lear jet.

Alves did have one explanation for all this good fortune – the local lottery. In the past few years, the lottery company estimates he picked up more than 200 big prizes. Unfortunately for Alves, this in itself may not entirely convince his inquisitors in a country where lotteries are also known to provide opportunities for money laundering.

Female pitch

■ Kim Campbell's future may not lie in baseball, *pace* Observer's helpful suggestion yesterday, but another woman apparently features on the short list to take over as the sport's next commissioner. She is Lynn Martin, formerly a Republican congresswoman from Illinois, George Bush's labour secretary and, though now a university teacher, still a player in national politics.

She would certainly need all her political wits about her in a position that has been vacant for over a year, since the owners of baseball's 28 teams summarily dismissed Fay Vincent for being insufficiently solicitous concerning their imperious wishes.

Most of those previously considered, as well as those still in the race, have political backgrounds. George Bush and James Baker graciously declined to apply, and so last week did George Mitchell, top Democrat in the US Senate. But Paul Kirk, former national Democratic Party chairman, and Richard Thornburgh, ex-US attorney general, are still in there pitching.

Baseball has had some powerful, and wondrously named, commissioners over the years – Judge Kennesaw Mountain Landis, A B "Happy" Chandler, Bowie Kuhn and A Bartlett Giamatti, a former president of Yale.

The commissioner may get the best seats in the house, but he, or she, now operates on the shortest of leashes from the owners, as Vincent, an honourable man, discovered. In comparison, politics begins to look easy.

Off piste

■ Amid the fun, fashion and glamour of the Daily Mail's international ski show at London's Olympia this week, there is a sobering note. At a stand overlooking the artificial ski slope, The Will Partnership offers "professional will drafting". Clearly, some runs are not called The Widow Maker for nothing.

FINANCIAL TIMES
Tuesday October 26 1993

Decree will lay foundations of mortgage system

Yeltsin to allow land sales under reform plan

By Leyla Boulton in Moscow

RUSSIAN president Boris Yeltsin was expected last night to sign a long-awaited decree allowing for the free sale and purchase of land, seven decades after the Bolsheviks abolished private property and farming.

Despite numerous decrees and laws proclaiming the right to private land ownership, introduced over the past two years, the Russian parliament had inserted into the old constitution a moratorium of 10 to 15 years on the right to resell land distributed to citizens by the state.

The decree will also lay the foundations for a mortgage system, enabling banks to lend money to farmers. The state had previously given state and collective farms, as well as fledgling private farmers, "credits" which were rarely returned. Commercial banks had steered clear of lending from their own funds without collateral, and lending will remain difficult while inflation is more than 1,000 per cent a year.

Nonetheless, Russia already has several thousand private farmers, who cannot sell their land freely. Many urban dwellers already own small plots of land to build dachas and grow vegetables, even though there is no well-established market for buying and selling land.

Although details of the decree are not yet clear, partly because senior officials have been arguing over the final version, Izvestia newspaper yesterday criticised the plan, saying it gave too many rights to collective and state farms. Part of the problem with land reform so far has been the absence of a mechanism to implement previous orders that state and collective farms give land away to employees who want it.

Much work will still be needed to implement the decree. But efforts are already being made in this direction. The International Finance Corporation, the World Bank's private investment arm, has, for instance, developed a pilot project for the effective and fair distribution of land to employees of state and collective farms. It seeks to avoid opposition from hostile directors of such farms by giving them a vested interest in the development of market-based farming.

The main fear of opponents to a free land market was that foreigners and other rich individuals would buy up the country on the cheap. It is not yet clear whether the decree will be accompanied by restrictions on who can buy land. To encourage foreign investment, the government had said that investors who bought factories could own the land on which they were located.

Raves worth £2bn per year pose threat to drinks industry

By Diane Summers, in London

RAVES are now a £2bn ($3bn) per year industry in the UK, challenging established leisure industries according to a study by the Henley Centre, the research and forecasting organisation, released yesterday.

Over a million young people a week are going to "rave" parties and spending an average of £35 a head on the activity, the study revealed.

The "staggering" spending figure – much of it on illegal drugs – is about the same size as the books or newspaper markets, and at least a quarter of the spirits market. The study excludes unlicensed raves which would increase the spending figures still further, said the centre. The parties, which are held in warehouses and halls within easy reach of metropolitan areas, attract 4,000-10,000 young people at a time, a large proportion of whom are under 21 years of age. Raves are usually alcohol-free but there is normally heavy consumption of drugs, said Henley.

Raves "pose a significant threat to spending for such sectors as licenced drinks retailers and drinks companies," says the study. Pub visits by young people declined by 11 per cent between 1987 and 1991 and Henley is forecasting a further decline of 9 per cent in 1992-97.

Henley calculates that the average admission charge to a rave is £15; spending on drugs is typically £3-£5 for LSD; £15 for ecstasy; £5 for speed; £15 for cannabis; mineral water is £1 a bottle; and cigarettes cost £3. Using these figures, the report says it is clear the minimum spend at a rave is likely to be about £20 per person and the maximum could be about £50.

Henley uses an average figure of £35 per visit per person to produce a weekly spend of £35m for the million participants. The percentage of 16-24-year-olds taking illegal drugs has doubled to nearly 30 per cent over the three years to 1992, says the report.

As well as apparently diverting spending on alcohol to drugs, raves are extremely time-consuming, displacing "much of the time and energy which might have been expended on other leisure activities".

Leisure Futures volume 3. Henley Centre, 9 Bridewell Place, London EC4V 6AY. £375

EC economy

Continued from Page 1

unemployment was partly a legacy of inflexible labour markets and high labour costs.

Differences over the timetable for European economic and monetary union stayed below the surface at yesterday's meeting. Finance ministers merely approved a range of secondary legislation to allow the setting up of the European Monetary Institute, a precursor of the central bank, from January 1 1994. They also endorsed the EC central bank governors' recommendation that Mr Alexandre Lamfalussy should be the first EMI president. EC leaders are expected to confirm this, and decide on a site for the central bank, at Friday's summit.

Air France strike continues

Continued from Page 1

senior management casualty.

Union leaders in Paris maintained their tough stance, despite the government's decision to replace the original austerity plan. "We have won a battle but not the war," said one union representative.

Ground staff at Orly airport said they would seek written guarantees that there would be no forced redundancies in a new recovery plan for the airline which the government has said it will negotiate with unions over the next three months. Mr Bernard Bosson, the transport minister, has said that the 4,000 job cuts in the original plan must be retained, but that they could be achieved without sackings.

The decision to withdraw the plan represents a serious blow to the government of Mr Edouard Balladur, which was forced into a climbdown in the first serious industrial dispute it has faced since taking office in March.

Its change of stance reflected concerns about the escalation of the dispute and the possiblity of more widespread protests in the public sector. The decision prompted criticism from the opposition and the French media.

The losses at Air France have been exacerbated by the strike, which has cost an estimated FFr70m ($12.4m) a day in lost passenger and freight revenues. The airline has cancelled all but four of its 500 daily flights today.

Delays are expected for foreign airlines flying to and from Paris.

Germany and US to exchange evidence in VW probe

By Christopher Parkes in Frankfurt

THE WAY has been cleared for US and German criminal authorities to exchange evidence gathered in their parallel investigations of alleged theft and industrial espionage by Volkswagen executives.

The US Federal Bureau of Investigation has been granted access to German public prosecutors' files and it is understood that FBI data may be made available to Ms Dorothea Holland, head of the Darmstadt-based German probe.

The link is the first significant development in the case involving VW production director, Mr José Ignacio López de Arriortúa, and several associates, all former General Motors employees, since Ms Holland led a raid on Volkswagen's headquarters in August.

Mr López and his colleagues are suspected of systematically collecting vast quantities of industrial data while employed at GM and its German subsidiary, Adam Opel. He has admitted having ordered the destruction of "possibly sensitive" GM material at VW.

The German authorities granted the FBI access to Ms Holland's findings after top-level political and legal negotiations between Washington and Bonn and the regional government of Hesse.

Mr Georg Nauth, spokesman for the Darmstadt prosecutors' office, confirmed the move yesterday.

The request had come through diplomatic channels, said Mr Nauth. Such exchanges were "usual in many cases", but he could give no further details.

Ms Holland was still sifting data from 25 computers and 250 diskettes seized in the VW raid, in an "enormously complex" exercise, he added. Asked if new evidence had been found in the computers, he replied: "I don't want to say."

While the German investigation has slowed, the US probe has gained momentum with the summoning of a grand jury which will decide whether the evidence gathered justifies indictment.

So far the FBI has had access to all General Motors' material and affidavits involved in the case, and is also believed to have questioned officials from Volkswagen of America, VW's US subsidiary.

Possible charges against Mr López, his colleagues and the company, include wire or mail fraud, which carry possible penalties of imprisonment or heavy fines.

US law prohibits the use of postal or telecommunications services for illegal purposes which include "violations of obligations of loyal and fruitful service" to an employer.

THE LEX COLUMN

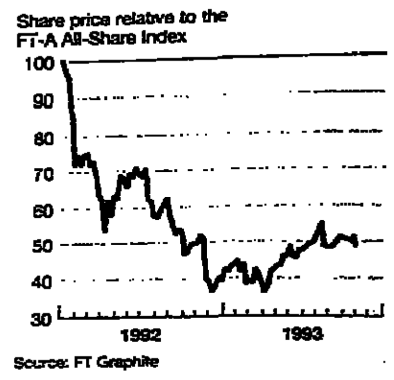
Long haul for Air France

It is tough being an Attali twin: frère Jacques departs the EBRD amid criticism he has spent too much money; frère Bernard resigns as chairman of Air France for trying to save too much. The latter Mr Attali's plans to cut costs were modest in relation to the scale of Air France's problems, yet they were still sufficient to provoke the implacable opposition of the unions. His departure in such circumstances will only compound the challenges confronting his successor.

Air France is woefully over-staffed and deeply in loss. This may not have mattered much while the government remained indulgent and Europe's aviation industry cosily cartelised. But Air France's rivals threaten to turn the competitive screw as the industry liberalises. British Airways, which is benefiting from a lower cost base following sterling's devaluation, is fast encroaching into the French market through TAT. Even the lacklustre Lufthansa has more resolve in pressing ahead with cost-cutting and privatisation. Its link-up with United could develop into a powerful threat to Air France. A consummation of the proposed Alcazar alliance between four European airlines would also buffet the French carrier badly.

How the French government tackles this conundrum could develop into a fascinating clash between traditional *dirigisme* and new-found pro-market rhetoric. Air France boasts some attractive international routes and readily saleable assets. This may enable the government to privatise the carrier – but at a price determined by a broader view of the airline's prospects. That underlines the case for firm action by the government now.

FT-SE Index: 3184.8 (-14.2)



Source: FT Graphite

BET

As befits a collection of late-cycle businesses, BET's shares turned seven months after the main body of the stock market. While the first increase in interim pre-tax profits since 1989 justifies the market's faith, progress has relied on self-help and a fair wind in the currency markets. Nearly three years after the arrival of Mr John Clark as chief executive, loss makers are still being weeded out and interest charges reduced. More of the same should be enough to maintain earnings momentum in the second half. By this time next year, though, BET will need to show decent margin improvements in businesses which have survived the axe.

So far the trading performance has been mixed. Creditable results in textile services and electronic security in the first half were offset by more pain in cleaning and plant hire. Comparisons with the best of the competition suggests margin improvements might be achieved through the kind of productivity drive the company now promises. But where prices are falling BET is running to stand still. The danger must be that prices will remain under pressure in its low-margin businesses even after economic recovery has taken hold.

Whether BET should continue to slug it out in areas with low barriers to entry – such as office cleaning and security guarding – is thus an open question. If these businesses continue to act as a drag on recovery there will be a strong argument for redeploying resources elsewhere. Having repaid £700m debt and preference shares over three years, BET can at least afford to wait and see.

Paramount

The aura of unreality surrounding the bidding war for Paramount has only been marginally dispelled by the two rivals thumping more hard cash on the table. Viacom's move to match QVC Network's tender offer must give it the edge, at least momentarily. With Paramount's board remaining impervious to QVC's blandishments and a poison pill defence in place to frustrate a hostile bid, QVC has now been manoeuvred into a position where it either raises or folds its hand. There remains a real possibility that the bidding will climb. Urged on by eager allies, QVC seems determined to press ahead. The prospect of another buyer entering the fray cannot be ruled out.

Already, both declared suitors are prepared to pay a premium of more than $3bn over Paramount's pre-bid market value. That premium alone is more than the market worth of either Viacom or QVC. The justification for such generosity is based on the synergies offered by the rapidly converging world of multi-media and the scarcity value of Hollywood studios. But it will require an extraordinary harmony of interests among the winning group to justify the price. A coherent alliance of media and telecommunication companies could perhaps make the sums stack up. There is less chance that a rag-bag of allies hastily assembled during the heat of a bid will be able to make the Paramount deal pay.

BTR/Hanson

The idea that good housekeeping is all that lies behind BTR's decision to float off its Graham builders merchants is perhaps a little too pat. BTR has owned Graham for 10 years, so it has scarcely rushed to the task. In part that may reflect the retirement of Sir Owen Green, who was attached to businesses he bought. BTR may also have had an eye to the high stock market valuations of building materials companies. Then again, while recovery stocks are selling on high multiples, their earnings are close to the bottom of the cycle. Significantly, BTR's cash flow was also boosted by recent warrant issues and the enhanced scrip dividend. The most persuasive argument for selling Graham now is to help fill the war chest for another acquisition.

Given its much lower rating, Hanson might consider a similar flotation. A sale to the stock market would certainly help cut gearing. Even more fashionably, demerging a highly-rated recovery company might increase shareholder value. Yet floating off UK businesses would institutionalise Hanson's advance corporation tax problem. In the US there may still be residual resentment of Smith Corona's poor performance after Hanson floated it. That might compel the company to offer attractive terms to get the deal away, undermining the point of the transaction. Besides, the more recovery businesses Hanson sold, the less attractive the remainder. Following the Quantum acquisition, Hanson will probably shed some of its peripheral US manufacturing businesses to cut borrowings. But trade sales look the most likely route.

FT WORLD WEATHER

Europe today

Northern Scandinavia and Finland will have snow, with temperatures below freezing all day, but a frontal zone will bring warmer air and rain to Norway.

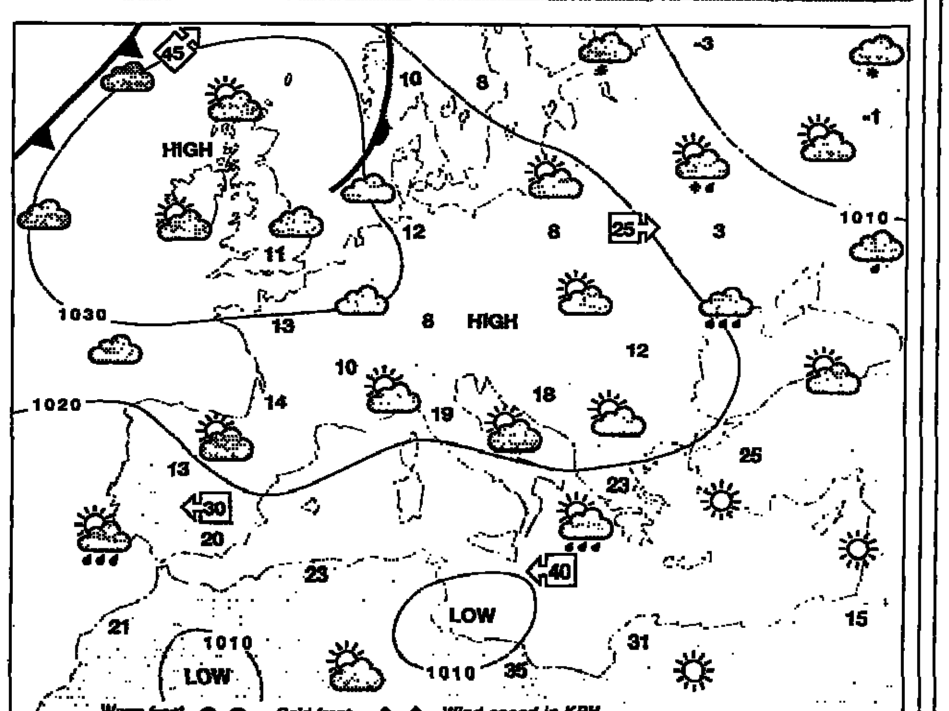
Stationary high pressure will give sunny periods over the British Isles. Cloud from the North Sea will drift into the Low Countries and northern France. High pressure over Germany, Poland and the Alps will produce a mixture of cloud and sunshine. Temperatures will be a bit below normal in these regions.

Low pressure over the Mediterranean will cause showers and occasional thunder over southern Portugal,Spain, Italy and Greece while the northern sections have sunny spells.

Five-day forecast

The high pressure centre over the British Isles will slowly retreat northwards, but an extension over north-western and central Europe will remain. As a result, the Low Countries, Germany, Poland and the Alps will have calm and dry conditions with some sunny spells. Maximum temperatures will change little. The Iberian peninsula and southern Italy will have some showers until the end of the week.

South-eastern Europe will have long sunny spells.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	33
Accra	fair	30
Algiers	fair	22
Amsterdam	cloudy	13
Athens	fair	24
B. Aires	fair	15
B.ham	fair	12
Bangkok	shower	33
Barcelona	fair	18
Beijing	cloudy	18
Belfast	fair	10
Belgrade	fair	11
Berlin	fair	11
Bermuda	shower	26
Bogota	shower	20
Bombay	cloudy	32
Brussels	cloudy	13
Budapest	fair	13
C.hagen	fair	12
Cairo	sun	31
Cape Town	sun	24
Caracas	cloudy	31
Cardiff	cloudy	11
Chicago	shower	16
Cologne	cloudy	12
D' Salaam	fair	29
Dakar	fair	30
Dallas	cloudy	22
Delhi	fair	32
Dubai	sun	34
Dublin	fair	11
Dubrovnik	fair	20
Edinburgh	fair	11
Faro	shower	20
Frankfurt	cloudy	11
Geneva	fair	9
Gibraltar	shower	19
Glasgow	cloudy	11
Hamburg	fair	12
Helsinki	cloudy	3
Hong Kong	cloudy	28
Honolulu	cloudy	31
Istanbul	shower	20
Jersey	cloudy	11
Karachi	fair	37
Kuwait	sun	35
L. Angeles	sun	25
Las Palmas	fair	24
Lima	cloudy	21
Lisbon	thund	17
London	cloudy	13
Lux.bourg	cloudy	10
Lyon	fair	10
Madeira	shower	21
Madrid	fair	13
Majorca	shower	21
Malta	shower	24
Manchester	fair	12
Manila	cloudy	30
Melbourne	fair	18
Mexico City	fair	19
Miami	thund	30
Milan	fair	12
Montreal	cloudy	7
Moscow	snow	0
Munich	fair	8
Nairobi	fair	27
Naples	cloudy	21
Nassau	shower	31
New York	fair	13
Nice	fair	17
Nicosia	sun	30
Oslo	fair	11
Paris	cloudy	12
Perth	fair	17
Prague	fair	9
Rangoon	fair	32
Reykjavik	rain	9
Rio	shower	24
Riyadh	sun	33
Rome	sun	21
S. Frsco	sun	29
Seoul	fair	15
Singapore	shower	31
Stockholm	cloudy	8
Strasbourg	cloudy	11
Sydney	shower	18
Tangier	shower	21
Tel Aviv	sun	30
Tokyo	fair	17
Toronto	cloudy	17
Tunis	shower	24
Vancouver	sun	16
Venice	fair	15
Vienna	fair	12
Warsaw	fair	7
Washington	rain	16
Wellington	fair	17
Winnipeg	fair	3
Zurich	cloudy	9

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday October 26 1993

INSIDE

BMW confident in face of recession

BMW claims it is continuing to resist the worst effects of recession. Production by the German carmaker, at 396,700 cars, was down 12 per cent compared with 25 per cent for the German automotive industry as a whole. BMW attributed much of its relative success to growth in north America and south-east Asia, where deliveries rose 17 per cent and 24 per cent respectively. Page 18

Inco reinforced against nickel fall

Inco, the world's biggest nickel producer, posted a strong third-quarter profit in the face of a 25 per cent fall in nickel prices. Page 19

Deutsche Telekom faces rivalry

Deutsche Telekom is attempting to become a first-division competitor in and beyond Europe's liberalising telecoms markets. The second part in a series looks at how it is facing up to rivalry. Page 19

Exxon exceeds expectations

Exxon, the US energy group, exceeded market expectations with third-quarter income of $1.36bn, which was bolstered by recent cost-cutting and asset disposals. Page 20

Big Blue's summertime

This summer has brought many changes for IBM – a new management structure and accelerated cost cutting – but not any sign of recovery from two years of heavy losses. Page 20

SIA falls 15%

Singapore Airlines (SIA), consistently one of the world's most profitable carriers, has blamed a recession in many markets, intense competition and the strength of the Singapore dollar for a 15 per cent drop in pre-tax profits for the six months to September 30. Page 21

TCI in talks over European sale

Flextech, the cable and satellite television group, is in talks to buy the European programming business of Tele-Communications (TCI) the US broadcasting group in merger discussions with Bell Atlantic. Page 24

Scottish bank adds to US arm

Royal Bank of Scotland has agreed to buy Neworld Bancorp, a small Boston-based savings bank, for $144.3m to add to its Citizens Financial Group US subsidiary. Page 24

Europe rally sparks argument

Investors plumped for Europe last week; according to the FT-Actuaries World Indices, It showed a gain of 2.8 per cent in local currency terms, and 7.1 per cent on October so far. That set the stage for the renewal of the argument over which senior bourse to choose for recovery, Paris or Frankfurt. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Asko Prf	860	+	16
Goldschmidt	840	+	30
Lahmeyer	820	+	34
Linde	843	+	11.5
Falls			
Kaufhof	572	–	6
Wella Prf	831	–	9

NEW YORK ($)

Rises			
Paramount	78¾	+	1⅝
Falls			
Ford	56½	–	⅝
Gen Motors	43⅞	–	2¼
Intel	63⅞	–	¾
Microsoft	79¾	–	1⅞
QVC	54	–	1

New York prices at 12.30.

PARIS (FFr)

Rises			
Air Liquide	799	+	12
Bouygues	702	+	12
Ecco	840	+	10
Sefimeg	494	+	13
Falls			
Redoute	970	–	24
SILIC	840	–	10

TOKYO (Yen)

Rises			
Kaoho	1190	+	80
Yamagata Bank	700	+	40
Falls			
Japan Aircraft	910	–	110
Nihon Seiko	780	–	70
Okura	861	–	69
SPC Elec	3300	–	400

LONDON (Pence)

Rises			
Amersham Intl	905	+	25
BBA	187	+	9
Bristol Scotts	79	+	6
Brit Data Man	266	+	18
EFG	14½	+	2
Flextech	224	+	49
French Connect	138	+	15
Honeysuckle	71	+	6
Moss Bros	245	+	7
Photo-Me-Intl	344	+	17
Sunset & Vine	128	+	8
Tiphook	127	+	11
Wiseseo	271	+	9
Falls			
AAF	20	–	24
Brit Telecom	461½	–	5½
BET	128½	–	6
ICI	721	–	8
Inchcape	505	–	13
Jarvis	14	–	3
NatWest	572½	–	12½
Phonelink	278	–	15
Sleepy Kids	55	–	7
Telemetrix	149	–	12
Virtuality	293	–	8

Recession-hit Boeing down 45%

By Martin Dickson in New York

BOEING, the world's leading commercial aircraft manufacturer, yesterday reported a 45 per cent drop in third-quarter net earnings as it continued to be hit by recession in the world's civil aviation industry.

The company reported earnings of $189m, or 56 cents a share, on sales of $5.15bn, down from earnings of $345m, or $1.02 a share, on sales of $6.9bn in the same period of last year.

The figures were within the range of analysts expectations but the shares dipped $⅝ to $37⅝ in morning trading on the New York Stock Exchange.

Boeing said that based on current programmes and schedules, its fourth-quarter sales and earnings would be well above the third quarter, with total sales for 1993 now projected in the $25.5bn range.

The trend of lower sales would continue though next year, reflecting its previously announced production cutbacks.

Production rate changes were currently being implemented to cut the 737 rate to 10 per month, the 757 to five per month, and the 767 to three per month. In early 1994 the 747 production rate would be cut from five to three per month.

"Economic growth in the major airline traffic markets worldwide continues to be weak, particularly in western Europe and Japan," it added.

"Consequently, airline profitability, although improving in the aggregate, is expected to remain below historic levels in the near term."

Boeing therefore continued to review production rates for 1994 and beyond and "there is no assurance that rates will be maintained at currently announced rates for all models".

However, it added that the start-up of production of the new 777 aircraft in 1995 would provide a "substantial offset" to sales reductions elsewhere.

For the nine months, the company reported net earnings of $940m, or $2.77 a share, on sales of $19.78bn, compared with earnings of $1.19bn, or $3.52 a share, in the same period of 1992 on sales of $22.69bn, excluding adjustments for accounting changes.

The company gained new orders for 142 commercial aircraft worth $9.8bn during the nine months, compared with 158 orders valued at $11.5bn in the same period of last year.

At the end of September its firm backlog stood at $77.4bn, compared with $80.8bn at the end of June and $87.9bn at the end of 1992.

Ladbroke asks NY mayor for a flutter

By Richard Waters in New York

LADBROKE Group, the UK leisure company, has approached Mr David Dinkins, mayor of New York, with an offer to buy or run the city's 93 off-track betting shops.

Mr John Long, president and chief operating officer of Ladbroke Racing in the US, wrote to Mr Dinkins on October 13 suggesting a meeting to discuss "several levels of involvement" by the UK company. These could range from "a management contract to outright purchase".

The future of racing and off-track betting in New York is being reviewed by New York state governor Mr Mario Cuomo. This review prompted the Ladbroke approach, said Mr Long, adding that the company has approached the city and the state before.

The New York city-owned Off-Track Betting Corporation suffered for many years from under-investment and many of its branches are badly sited or in need of refurbishment. The corporation said it was now spending $4.5m a year on revamping its branches.

In the year to June the corporation attracted bets of $811m, down from $878m the year before. It blamed this fall on the weakness of the US economy, though casinos and other gambling operations have increased their business. After paying out $616m on winning bets, the operation contributed $43.4m to the New York state and city last year.

Even if Ladbroke won the support of New York city, it would still face obstacles to making the betting operation more profitable. The New York Racing Association, which owns three of the state's four racecourses, restricts the live broadcast of races in off-track betting shops to encourage punters to go to its tracks. Only around a third of branches carry live broadcasts. Also, several neighbourhood organisations have prevented new branches from opening in desirable locations in Manhattan.

Mr Dinkins, who is in the middle of a bitter mayoral election battle, has yet to respond to the Ladbroke overture.

A spokeswoman for the mayor said: "It [off-track betting] is in the assessment mode. No decision has been taken."

Ladbroke's US off-track betting operations are restricted to five large venues in Pennsylvania, where it broadcasts races.

Mitsubishi to review businesses for sale or closure

By William Dawkins in Tokyo

MITSUBISHI Corporation, Japan's largest trading company, is reviewing its 600 subsidiaries and affiliates as it plans to close, merge or sell unprofitable businesses.

This is the latest Japanese keiretsu, or family of companies linked by equity cross-holdings, to reassess its alliances in the light of the recession.

Mitsubishi Corporation, which embraces oil and fuels, heavy industrial goods, metals and textiles, plans to produce details of its new strategy early next year.

Businesses will be divided into three; those to be liquidated or merged; candidates for more investment; and those that need more monitoring. Surplus staff will be shifted to other business units, said officials.

The move was prompted by the poor performance of some of the several hundred businesses Mitsubishi Corporation acquired or invested in during the economic upturn of the late 1980s, said officials. Those investments were themselves the consequence of a strategic rethink, in 1986, when the group responded to the coming upturn by expanding its activities.

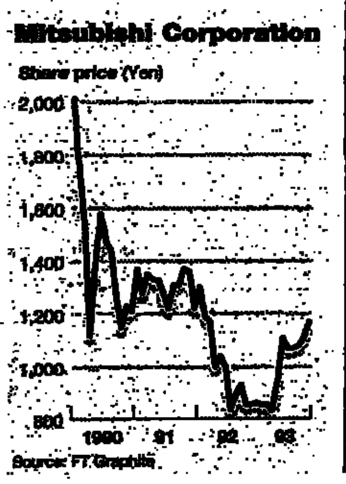
This is the latest part of a management plan at Mitsubishi Corporation. Last month it decided to disband the capital markets division, a move away from the financial engineering which was popular among Japanese industrial groups.

Officials warned that restructuring costs might exceed the Y30bn ($276m) forecast for the current year.

Net profits are widely expected to decline sharply from the Y52.72bn achieved in the year to March 1992.

The move should strengthen the group's earnings in the longer term, said officials.

Mitsubishi Corporation



Source: FT Graphite

Martin Dickson reports on the battle to take over Paramount and suggests that the stakes are likely to be raised again

Bidders dig deep to stage final showdown

How much is Mr Barry Diller, chairman of the television home shopping group QVC Network, prepared to pay to snatch Paramount Communications away from its proposed marriage to Viacom, the cable television company?

That is the central question facing Paramount shareholders this week, following Sunday night's move by Viacom to increase the value of its agreed bid for the company from $7.5bn to $9.5bn, thus matching the value of QVC's hostile offer. The move sweeps aside the financial edge QVC has enjoyed since it entered the fray on September 20, with a $9.5bn shares-and-cash proposal.

And it leaves Viacom with a slight upper hand: it has the agreement of the Paramount board to a merger, and the two marriage partners have advanced substantially further than QVC in obtaining the necessary regulatory clearances for their deal.

Viacom also has the advantage of "lock-up" provisions, put in place when it first launched its bid, that allow it to buy 20 per cent of Paramount's stock at $69.14 a share and receive a $100m payment from Paramount if its bid does not go through.

"The ball is in QVC's court to decide whether to step aside or raise its offer," says Ms Margo Vignola, an analyst at Salomon Brothers.

> **The bidding seems certain to go higher for such a rare prize**

It was Mr Diller, a prominent figure in the Hollywood film industry, who increased the tempo of the contest last Thursday when, frustrated by the Paramount board's reluctance to open negotiations, he changed the terms of QVC's bid proposal, while keeping the overall value the same.

First, he announced that QVC would be proceeding this week with an immediate cash tender offer for 51 per cent of Paramount's shares, at $80 a share, costing some $4.8bn. It would buy the remaining 49 per cent in a later stock-swap tender, also valued at around $80 a share.

The move had two important elements. First, it raised the amount of cash in the QVC offer from $3.5bn to $4.8bn – shareholders generally prefer to receive cash rather than stock which can fluctuate in value. Second, by launching a tender, QVC by-passed the Paramount board and took its offer directly to the shareholders.

The manoeuvre left Viacom with no alternative but to increase its offer to stay in the race. It therefore launched a tender offer on Sunday on exactly the same terms as QVC, and offered to buy the remaining 49 per cent in a second stage tender at $80 a share in a mixture of common and preferred stock.

Ms Jessica Reif, an analyst at Oppenheimer & Co, says this leaves Mr Diller with three choices: "He can increase the cash portion of his bid, he can increase the total value above $80, or he can walk away. But given the scarcity value of the assets I think walking away is the least likely."

But how much more can either QVC (with revenues of around $1bn) or Viacom (revenues $2bn) afford to pay for the much larger Paramount (revenues of $4bn)?

Their offers are already far from cheap – Ms Reif puts them at around 19 times Paramount's 1993 operating cash flow and 36 times its earnings. With $4.8bn in cash on the table, both companies appear to be getting close to the limits of their war chests.

QVC's armoury contains around $5bn, consisting of $3bn in bank loan commitments and $500m of equity investments from four other media companies backing its bid: Comcast, Liberty Media (both of which are already large QVC shareholders), Cox Enterprises and Advance Publications.

Viacom's new offer was made possible by a $1.2bn equity commitment from Nynex, the Baby Bell telephone company serving the north-eastern US, and a further $600m from Blockbuster Entertainment, the video rental business. It must also have lined up $3bn in bank borrowings.

However, in addition to the war-chests, the protagonist gaining control of Paramount will have access to that company's $1bn in cash reserves, giving each side some latitude to increase its current offer. And either QVC or Viacom might also persuade their large media backers, or bankers, to provide some extra money. Viacom acknowledged yesterday it is still talking to potential media partners.

Certainly, takeover battles have a habit of soaring out of the bounds of rational financial considerations, and Paramount is such a rare prize – one of the last of the large, independent Hollywood film studios – that the bidding seems certain to go higher.

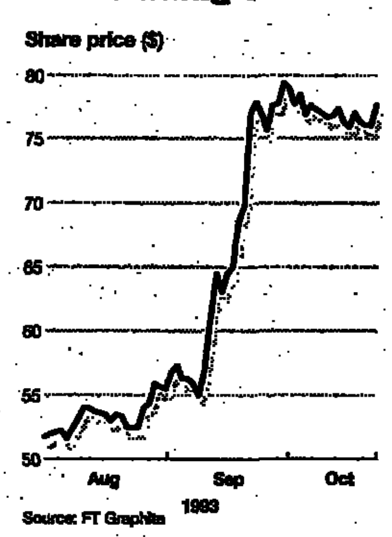
The heads of all three companies have a great deal riding on the outcome. For 70-year-old Mr Sumner Redstone, chairman of Viacom, the deal is a chance to cap his career in dramatic style – although he vowed yesterday not to carry out "an excessively leveraged transaction". He also said he had no intention of selling Paramount assets to cut the post-deal debt.

For Mr Diller, it is an opportunity to turn QVC from a humble television home shopping business into a leading entertainment business. Mr Martin Davis, chairman of Paramount, is anxious to complete the friendly deal with Viacom and avoid being swallowed by QVC. He and Mr Diller are bitter enemies.

The only thing that can be said with certainty is that the battle is far from over. Few shareholders will be interested in the tender offer when even better terms seem likely to be on the table before too long.

Lex, Page 16; Flextech in talks with TCI, page 24

The bidding war for Paramount



Source: FT Graphite

- September 12: Viacom's agreed $8.2bn cash-and-shares bid for Paramount. Fall in Viacom's shares reduces value of bid to $7.5bn. Paramount's shares soar on speculation of rival bid
- September 20: QVC Network launches hostile cash-and-shares bid worth $9.5bn. Paramount stands by preference for Viacom
- October 4: Viacom gains $1.2bn investment from Nynex, adding to the $600m put up by Blockbuster Entertainment
- October 5: QVC says $4bn funding arranged, includes $500m each in equity investments from Comcast and Liberty Media (re-merging with Tele-Communications Inc), plus commitments from six banks
- October 17: QVC gains further $1bn through investments by Advance Publications and Cox Enterprises
- October 21: QVC makes $4.8bn cash tender offer - $80 a share - for 51 per cent of Paramount, increasing cash element of hostile bid
- October 24: Viacom launches similar cash tender offer at $80 a share

Sweden may sell part of big electricity producer

By Hugh Carnegy in Stockholm

THE SWEDISH government is to consider urgently a partial privatisation of Vattenfall, Europe's sixth largest electricity producer, to enable the company to raise SKr4bn ($505m) in new capital.

Mr Per Westerberg, the industry minister, said yesterday in response to a formal request for a capital injection by the wholly state-owned company that the government could not afford such a sum.

"There is no question of using taxpayers' money," he said.

But he said he fully understood Vattenfall's need for new capital and the right-centre government would discuss urgently a suggestion by the company that it be allowed to raise the money through a share issue to Swedish institutions and its employees.

Mr Westerberg stressed that the government had no intention of giving up its control of Vattenfall, which produces about half of Sweden's electricity needs mainly through hydro and nuclear power generation. He also ruled out a break-up of the group. However, it is clear that a share issue on the scale suggested would not significantly erode the state's dominance of the group, said by officials to be worth upwards of SKr60bn.

Since coming to power two years ago, led by prime minister Carl Bildt's conservative Moderate Party, the coalition has begun working through a list of 35 wholly or partly state-owned companies it wants to sell off.

This year, it completed the SKr2.2bn flotation of Celsius, the defence group, and is now working on the disposal of its big holdings in Procordia, the pharmaceuticals and food group, and the OK Petroleum group.

Vattenfall is the dominant – though not monopoly – producer and supplier of electricity in Sweden. It delivers approaching 80m megawatt hours a year, including exports of more than 9m megawatt hours – three times as much power as Sydkraft, its biggest private sector Swedish competitor. It ranks itself sixth in Europe, behind EDF of France, ENEL of Italy, RWE of Germany and Britain's National Power and PowerGen.

It has recently been converted into a limited liability company. It said yesterday it needed the capital injection it seeks to invest in production, transmission and distribution facilities which would strengthen the group in the face of growing competition within the electricity market both in Sweden and throughout Europe.

BMW ahead of industry trend despite fall in sales

By Christopher Parkes in Frankfurt

BMW is continuing to resist the worst effects of recession, the luxury German carmaker claimed yesterday.

Although sales fell 9.8 per cent to 406,500 units in the first nine months of this year, deliveries were still higher than for the same period of 1990, the last "normal" year before German unification, it said.

Production, at 396,700 cars, was down 12 per cent compared with 25 per cent for the German automotive industry as a whole. BMW exports were only 7 per cent lower, compared with an overall drop of more than 20 per cent.

Turnover also fell a relatively modest 6.6 per cent to DM21.9bn ($13.1bn).

The company had been able to "build a bridge over the cyclical dip", it said.

In the domestic market, a 22 per cent rise in sales in eastern Germany, to 15,100, helped offset a 17 per cent decline in the west, where new registrations overall are down 19 per cent.

BMW attributed much of its relative success to growth in north America and south-east Asia, where deliveries rose 17 per cent and 24 per cent respectively. With an eye on further high-potential markets, the company is preparing to open assembly plants in the Philippines and Vietnam.

Yesterday's figures suggest a marginal improvement from the halfway mark, when turnover was 8.8 per cent lower than in 1992, and when the company reported net earnings down 39 per cent at DM255m.

Although the international market appeared to have reached the bottom of the slump, recovery is not expected to appear before the middle of 1994.

Credit Suisse expects advance

By Ian Rodger in Zurich

CREDIT SUISSE, flagship bank of the CS Holding financial services group, said its consolidated pre-tax profit in the third quarter "showed a marked increase" over last year. It expected a "good performance" for the full year.

No earnings figures were given. The bank earlier reported half-year pre-tax profit of SFr2.4bn ($1.6bn), 67 per cent higher than in the first half of 1992.

Credit Suisse said its investment and trading business continued to benefit from favourable market conditions in the third quarter. The Credit Suisse Financial Products derivatives subsidiary was an important source of income.

Progress in merging Swiss Volksbank, acquired last spring for SFr1.6bn, was bringing the expected cost savings.

However, the bank warned that loan-loss provisions remained high because of the recession, especially in Switzerland.

Consolidated total assets stood at SFr228.4bn at the end of September, 32 per cent above a year earlier. Three-quarters of the growth came from the Volksbank takeover.

Balance sheet business remained weak because of the recession. Lendings at the end of the third quarter stood at SFr125.6bn, 2.9 per cent lower than at the end of June.

● Forbo, the Swiss wall and floor coverings group, said profit before interest and tax in the first nine months was off SFr2m to SFr70m, on sales down 6 per cent to SFr1.3bn.

Shake-up pays off at Swedish mining group

TRELLEBORG, the troubled Swedish mining and metals group, said yesterday it had raised SKr900m ($111m) through the sale of its remaining shares in Svedala, the mineral processing and transport unit, writes **Hugh Carnegy in Stockholm**. It would raise a further SKr1.3bn through the pending sale of a 75 per cent stake in Munksjö, its paper and packaging subsidiary.

The disposals are part of a restructuring to staunch a heavy flow of losses and pare its SKr10bn debt burden. The group, hit by falling world metals prices, intends to concentrate on its core mining, metals and rubber operations.

BET takes another step towards recovery

By Andrew Bolger

BET, the UK business services group which overstretched itself in a series of 1980s acquisitions, took another step on its road to rehabilitation yesterday by reporting a 24 per cent increase in pre-tax profits.

However, sales fell slightly, to £1.03bn ($1.52bn) from £1.09bn, in the six months to September 25. Reduced losses from discontinued operations and lower interest costs mainly accounted for the increase in pre-tax profits to £47m from a restated £36m.

The group warned: "Conditions in our market are likely to remain tough for some time. Despite the significant cost reductions that have been made, pressure on margins persisted."

Mr John Clark, chief executive, said BET's three-year restructuring programme was almost complete, although there would would be more disposals.

Net borrowings were cut to £9m from £65.2m, giving gearing of 3 per cent. Interest payments fell to £3.2m from £8.2m. Earnings per share rose to 3.3p from 1.5p. The interim dividend was cut to 1p from 2p, in line with an intention to make the final larger than the interim.

Lex, Page 16

Investors approve new loan limits at Tiphook

By Andrew Bolger in London

SHAREHOLDERS of Tiphook, the UK container leasing group, yesterday gave chairman Mr Robert Montague the go-ahead to increase borrowing limits, which the loss-making group needs while it renegotiates new covenants with its bankers.

In a tough day for the company head, who confirmed he would split his role with a chief executive, the group's founder fielded shareholder complaints about the board's performance. The group's market value has dropped by 66 per cent since March.

The meeting got off to a sticky start when Mr Montague asked if he could take as read the sole resolution before the meeting, which increased the group's borrowing limit to £1.3bn ($1.82bn), equivalent to six times shareholders' funds. One shareholder insisted the resolution be read out "because I'm not sure members of this board can tell a million from a trillion".

The chairman's difficulty arose as he said he had been advised by Freshfields, the group's lawyers, that he was restricted in what he could tell the meeting. He could give the shareholders no assurance their stake would not be diluted by any refinancing, nor give any new information about the group's borrowing or trading.

The same shareholder berated the chairman for sheltering behind the advice of his lawyers.

Mr Montague said it would not be in the interests of either shareholders or the company to give out more information until the resolution had been passed and the support of the bankers secured. But he promised to inform investors of any further developments as soon as possible.

Another shareholder suggested the board should take large cuts in salary to share the same pain as the shareholders. Mr Montague, who last year earned £851,000, said directors had promised at last month's AGM to take pay cuts.

The new word on everyone's lips

Privatisation will shine the spotlight on Seita, writes David Buchan

ALMOST everyone has seen, smelt or tasted something produced by Société Nationale d'Exploitation Industrielle des Tabacs et Allumettes (Seita). However, the company remains relatively unknown.

This is in spite of the fact that its Gitanes cigarettes, with the swaying gypsy lady on the packet, and the Asterix-like winged helmet on Gauloises packaging have become national symbols. Seita, however, is destined to become better known following the Balladur government's decision to put it on the list of 21 companies to be sold to the public.

Given the recession depressing prospects for so many other privatisation candidates, Seita's sale could be sooner rather than later. "We are a very uncyclical enterprise," says Mr Eric Albrand, finance director, "and the timing [of privatisation] would depend more on finding a certain number of buyers than on the economic context."

Seita and British American Tobacco (BAT) are already eyeing each other with interest. BAT makes no secret of the fact that its recent "financial" investment in the Banque Nationale de Paris privatisation was partly designed to smooth its political path to an "industrial" investment in Seita. At an overall estimated value of between FFr7bn and FFr9bn (($1.2bn-$1.5bn), Seita's sale could be easily slotted in between larger candidates.

However, before it goes on to the privatisation slipway, Seita needs to be stripped of its residual monopolies. These still give it the right to manufacture all tobacco products in France and to import all tobacco products from outside the EC. However, they no longer confer any commercial advantage to the company.

"It has simply meant that other companies have set up manufacturing and import facilities elsewhere in the EC, without hindering their ability to sell into the French market," says Ms Isabelle Okrent, communications director.

Seita results (FFr)

	Turnover	Gross Profit
1988	9.05bn	493m
1989	10.3bn	518m
1990	11.23bn	433m
1991	12.4bn	658m
1992	13.41bn	717m

Source: Company figures

Seita's performance is improving. It expects a rise in net profit this year, to more than FFr400m, compared with the FFr367m total last year (or 2.7 per cent of 1992 turnover). But with even gross profits only 5.3 per cent of turnover last year, Seita has hardly been the cash machine expected of tobacco companies.

There are two main reasons for this. First, it has had to struggle with strong public-sector unions to concentrate production in five factories around the country, down from 12 a decade ago. Second, France taxes tobacco fairly heavily. The industrial price was also controlled by the government until last year.

The benefits to Seita of this latest lifting of price control has been neutralised by three increases in tobacco taxes in the past 18 months. The fact that some of Seita's competitors have cut, rather than increased, their prices in order to gain market share has not helped either.

Seita had nearly half the French market last year. Its overwhelming strength, however, is still in dark tobacco, a market which is declining by between 7 and 8 per cent a year. In the steadily more fashionable light tobacco, which now accounts for two-thirds of what is smoked in France, Seita was last year second to Philip Morris and just ahead of Rothmans. Both Seita and Rothmans have lost market share this year to Reynolds, which has been cutting the price of its Winston brand.

Overall, the French market has dipped. After average growth of 0.8 per cent during the 1980s, cigarette consumption fell by 0.8 per cent last year, and by 3 per cent in the first eight months of this year.

Mr Albrand blames the decline on price/tax increases, and on the new law banning tobacco advertising everywhere except inside France's 36,400 officially-designated *tabacs*, the only legal outlet for tobacco in the country.

The *tabac* system suits the government, because it reduces evasion of tobacco tax, and tobacco sales usefully cross-subsidise corner shops which would otherwise have to close down in rural areas.

The system also suits Seita. It does not own the *tabacs*, but it might as well do, because it is effectively their sole tobacco supplier, furnishing them with other companies' cigarettes as well as its own.

Seita also makes money out of the network by distributing local communes' parking permits, and France Telecom's telephone cards, to the *tabacs* for sale.

Seita's incestuous relationship with the *tabacs* will not change with privatisation; it rests on economies of scale and efficient service rather than the law. However, it is hard to see how investing in Seita would give, for example, BAT any edge in selling its products in French *tabacs*; the neutrality clause in Seita's distribution contracts would prevent that.

Given that Gitanes or Gauloises are part of France's image in the world, Seita believes the government will seek some core domestic shareholders. So far the only French shareholder to show interest is the Bolloré shipbuilding group, in which Rothmans has a stake.

Seita sees a much better fit with BAT, which is strong in areas of where Seita is weak – Latin America, east Asia and English-speaking Africa.

Another fit for Seita would be Reemstma of Germany. The two companies already operate jointly in Belgium, Switzerland and Italy, and the German company could provide Seita with an entrée into east Europe and Russia.

Asset disposal helps boost Norsk Hydro

By Karen Fossli in Oslo

NORSK HYDRO, Norway's biggest stock-listed company, yesterday reported a rise in nine-month net profit, to NKr2.89bn ($396m) from NKr2.61bn. It was helped by a large gain on the disposal of its 38.3 per cent stake in Freia Marabou, Scandinavia's biggest chocolate producer.

Even discounting the gain, Hydro said group results improved during all three quarters of 1993. It attributed this primarily to lower production costs, higher crude oil production, and the effect of a higher dollar exchange rate.

With this year's result affected by a pre-tax gain of NKr2.53bn on the Freia disposal, and last year's by changes to the US accounting code (GAAP), Hydro said the two figures were not directly comparable.

"When these factors are excluded, net income for the first nine months of 1993 is calculated to be NKr1.067bn compared with NKr647m for the same period last year," it said.

Group revenue in the first three quarters rose by NKr2.44bn to NKr46.07bn, as operating income climbed NKr1.11bn to NKr3.35bn. Operating costs shot up by NKr1.23bn to NKr38.73bn.

"Our business areas are still affected by difficult market conditions," said Mr Egil Myklebust, president.

He attributed the improvement in operating income to reductions in production costs and higher crude oil output.

"Oil and gas, petrochemicals and agriculture all show progress, while there was a certain decline for light metals. This was due to a particularly difficult market situation for both aluminium and magnesium. Our fertiliser operations have increased sales, but have not achieved higher prices," Mr Myklebust said.

There was still uncertainty about how European fertiliser markets would develop, he said.

Sale of unit lifts Inco to $91.2m in third quarter

By Bernard Simon in Toronto

THE sale of a gold-mining subsidiary enabled Inco, the world's biggest nickel producer, to post a strong third-quarter profit in the face of a 25 per cent fall in nickel prices.

Third-quarter earnings rose to $91.2m, or 83 cents a share, from $10.6m, or nine cents, a year earlier. The increase was entirely due, however, to an after-tax gain of $127.9m, or $1.16 a share, from Inco's disposal of its 62 per cent stake in TVX Gold.

The weaker nickel price, as well as lower prices for copper, cobalt and rhodium, resulted in a sharp reversal in operating performance, from earnings of $70m to a $13m loss.

Net sales slumped to $468m from $608m, in spite of virtually unchanged metal deliveries.

Nickel shipments totalled 111m lbs, compared with 112m lbs a year ago, but the average price received fell to $2.60 a lb from $3.47. One silver lining was a turnround in the troubled alloys and engineered products division, from a $7m operating loss to earnings of $2m. Inco said that lower prices were offset by reduced costs.

Finished nickel inventories fell to 49m lbs on September 30 from 71m lbs a year earlier as a result of holiday shutdowns.

Inco earlier this month announced a 16 per cent reduction in planned 1994 nickel output, with the bulk of the cutbacks taking place in the first quarter.

The company said yesterday that it "will continue to monitor market conditions to determine whether additional measures will be required".

Proceeds from the TVX sale reduced the debt-to-equity ratio to 37:63, the lowest level in three years.

Long-term debt has been cut to $925m from $1.08bn.

Canada forest groups improve in third term

By Robert Gibbens in Montreal

CANADIAN forest products companies improved their results sharply in the third quarter, due to good building materials markets and a lower Canadian dollar. However, their performance for all 1993 will be volatile.

The industry has been fighting recession and weak prices since 1989, its last good year. Building materials were the first to rally early this year, with rising US housing stocks helping integrated companies and specialised Western timber producers. After a summer slowdown, construction timber prices are rising again as inventories are rebuilt.

Noranda Forest posted third-quarter profits of C$6m, or 2 cents a share, against a loss of C$17m, or 16 cents, a year earlier.

For the nine months it had a loss of C$42m, or 38 cents, after a net charge of C$58m on the sale of its 49 per cent stake in MacMillan Bloedel.

This compared with a loss of C$62m, or 55 cents, on revenues of C$1.13bn (excluding MacMillan), against C$3.3bn.

MacMillan Bloedel, the most diversified group, lost C$20.7m, or 19 cents, in the third quarter, against a loss of C$14.2m, or 15 cents. Nine-month profit was C$48.1m or 39 cents, compared with a loss of C$32.3m, or 35 cents a share.

Donohue, an eastern Canada newsprint producer, earned C$1.3m, or 3 cents, in the third quarter, against a loss of C$5.9m, or 18 cents. Nine-months profit was C$9.7m, or 26 cents, compared with a loss of C$17.1m, or 57 cents.

Doman Industries, the timber and pulp group, earned C$11.2m, or 30 cents, in the third quarter, against C$132,000, or 9 cents. Nine-month profit was C$38.7m, or C$1.14, against C$21.4m, or 70 cents, including special gains in both periods.

Battle for dairy resumes

THE takeover battle for control of Associated Dairies, the Victorian dairy products company, has stepped up again with the two rival bidders – Australian Co-Operative Foods and QUF Industries – raising their offers, writes Nikki Tait in Sydney.

Sydney-based ACF moved first, increasing its offer to A$3.25 a share from A$2.85 previously.

This exceeded the A$2.97 a share on offer by QUF. However, within hours, the Queensland-based company had announced it would pay $3.35 a share, or A$81.3m (US$54.6m) for Associated Dairies.

ACF holds a 19.9 per cent stake in Associated Dairies, so now has the option of exiting from the battle with a profit. Alternatively, it could raise its terms for a third time.

Losses at Asarco after metal prices fall

By Laurie Morse in Chicago

PLUMMETING copper, lead, and zinc prices contributed to a third-quarter loss at Asarco, the integrated US mining company.

It suffered a net loss of $3m, or 8 cents a share, compared with profits of $18.1m, or 44 cents, in the third quarter of 1992. Sales were $425.2m, down from $490m a year ago.

For the first nine months, Asarco posted a loss of $58m, or $1.40 a share, against a gain of $28.8m, or 69 cents, before extraordinary charges. Year-to-date sales are $1.3bn, down from $1.4bn in the first nine months of 1992.

Asarco said its average realised price for copper dropped to 86 cents a lb in the third quarter, down from $1.13 a year earlier. Zinc prices were down 20 cents a lb, to 41 cents, and lead prices down 12 cents, to 19 cents a lb this quarter.

The company's average realised price for gold and silver gained, but volumes were not sufficient to offset price declines in copper.

Mr Richard Osborne, chairman, said the decline in metals *prices reduced net earnings* for the quarter by $33.8m from levels a year ago.

Asarco realised an after-tax gain of $5.4m from the sale during the quarter of 9.9 per cent of Asarco Australia.

● AMAX, the diversified US aluminium and coal company, reported third-quarter net losses of $60.7m, or 77 cents a share, from last year's loss of $24.6m, or 29 cents.

The company had an operating loss of $15m in the third quarter, against an operating profit of $14.4m in the same quarter a year ago. Sales for the quarter fell to $893.3m, from $959m last year.

Amax, which is in merger negotiations with another large metals and mining group, Denver-based Cyprus Minerals, said depressed worldwide aluminium prices would keep the pre-merger results under pressure into 1994.

Amax and Cyprus shareholders will vote on the merger plan on November 12. Under the plan Amax will spin off its aluminium operation, Alumax, as an independent, publicly-held company.

Analysts say the global aluminium glut will make the spin-off difficult, but Mr Allen Born, Amax chairman, said the subsidiary was already adopting price protection programmes to stabilise revenue, and was considering diversifying into higher-value aluminium product manufacturing.

For the first nine months Amax reported a loss of $170.6m, or $2.18, on sales of $2.6bn, compared with a loss of $133.3m, or $1.53, on sales of $2.8bn in the same 1992 period.

Deutsche Telekom hangs on for sell-off call

The German group's privatisation faces political hurdles, writes Ariane Genillard

Mr Helmut Ricke, chief executive of Deutsche Telekom (DT), is generally unflappable. But he talks in almost apocalyptic terms about the privatisation of Germany's state-owned telecommunications company. "It is five to midnight," he says.

His fear is that the interminable political debate on privatisation could delay the process until well beyond next year's 19 federal and state elections.

That, he says, would severely hamper DT in its attempt to become a first division competitor in and beyond Europe's liberalising telecoms markets.

Even in its home market, DT faces unprecedented competition. The company will lose its monopoly on ordinary telephone services in January 1998, when the European Community opens up national telecommunications markets to competition.

It already faces competition in the high-growth satellite and mobile markets.

Two years ago, Mannesmann, the industrial group, was granted a licence to operate *a second national cellular* phone network in competition with DT's. It now has a 50 per cent market share.

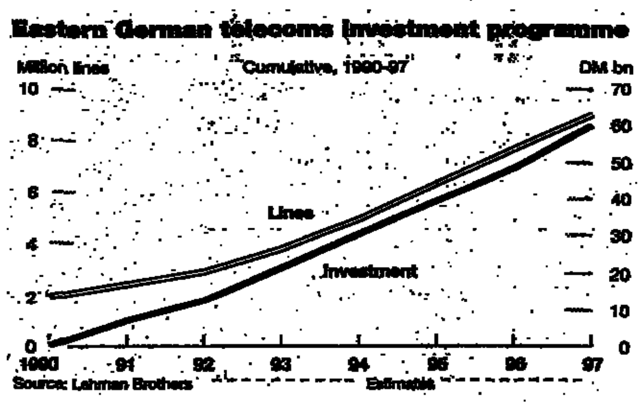
The Brussels deadline gives DT five years to become competitive, but Mr Ricke is anxious to get the privatisation trauma over long before then. So is Chancellor Helmut Kohl's government, which has been pressing for a sale for the past two years. However, privatisation requires a constitutional amendment; and to achieve the required two-thirds majority, the support of the opposition Social Democrats (SPD) is needed.

Most SPD leaders are not opposed to privatisation in principle. They appreciate the 1998 deadline, and the need for DT to be able to raise funds on the stock market in order to continue its large investment in eastern Germany. However, the SPD wants to retain significant state controls over a privatised DT.

As a compromise, the government has agreed to create a holding company in which it will keep a majority stake until full EC liberalisation. But before even partial privatisation can proceed, government and opposition have large differences to settle over how much managerial influence the holding company will be granted.

The government has drafted a 1,000-page privatisation bill, which is the subject of negotiations between the government and SPD.

The bill is reported to give only a minor role to the holding company. Ministers argue that in order to achieve the objectives of privatisation, DT must have sufficient managerial freedom to make it attractive to investors.



Source: Lehman Brothers


Helmut Ricke: debate on privatisation could delay the process

Much depends on the line taken by hard-liners in the SPD leadership.

Mr Ricke hopes that, once the privatisation bill is adopted, the company will be able to sell a first tranche of shares worth between DM10bn and DM15bn ($6.25bn-$9.37bn) on the stock market in 1996.

He says that delay will have "fatal consequences", for three reasons.

● The company needs to raise cash to reduce its DM100bn debt and continue its DM60bn investment programme in eastern Germany.

● *A privatised DT will be freer* to forge international alliances, now de rigueur in the industry.

● DT needs privatisation to push through cost-cutting measures.

Mr Ricke stresses that liberalisation will progressively undermine DT's revenue. He estimates that German tariffs for domestic and international calls, which are among the highest in Europe, must fall by 20 per cent by 1998 if DT is to be competitive.

The company is losing DM2bn a year on local calls, which are subsidised by international traffic.

With just a 5 per cent drop in overall phone bills, the company stands to loose in 1995 DM2bn-DM3bn in revenues, Mr Ricke claims.

Mr Wolfgang Bötsch, the post and telecoms minister, has pledged to reinvest all the privatisation proceeds in Deutsche Telekom.

As well as lifting investment in the eastern states, this will allow the company to reduce its debt – which cost DM8bn to service last year, and is expected to rise to DM140bn in 1995.

Privatisation will allow DT to reinvest more of its own profits, which are depleted because of a legal obligation to cover the deficits of the post and postal bank.

The company last year had to transfer DM5bn to the federal government and DM1.5bn to the two sister companies out of its DM6.5bn net profits.

DT urgently needs to cut costs. Above all, that means greater productivity from its 230,000 strong workforce. But that will not be easy. More than half of DT's employees are civil servants who enjoy benefits such as life employment and special pension funds.

The privileged status of German civil servants is written in the constitution and cannot be modified against their will. Mr Ricke hopes that after privatisation, financial incentives will motivate many of them to retire early or become regular employees. But such plans are regarded with suspicion by the 550,000-strong Post Trade Union, which has strong links with the SPD.

The union and SPD accept DT will have to stop subsidising the post and postal bank *and become an independent* shareholders' entity. But they still have two demands.

They want the constitution to specify the duty of a private DT to service all parts of Germany, regardless of the population density. The post ministry maintains this is a regulatory matter, not a constitutional one.

The union wants to retain some influence over DT's management. It wants voting rights on important issues such as wage settlements and redundancies, and is particularly afraid of Mr Ricke's desire to slash 30,000 jobs by 2000.

DT contends any such restraint will simply slow down the pace of change, to the detriment of all DT employees.

DT managers want the freedom to take risks in the global market.

A DT-led consortium is the front runner to become strategic partner in the privatisation of Matav, the Hungary state telecoms operator. But in general, argues Mr Klaus Grewlich, DT's director for international affairs, foreign partners are looking for a private company free from state interference.

Government and opposition risk clashing on such issues throughout the autumn as they finalise the privatisation bill.

If no compromise is reached soon, it is highly unlikely the current 1996 privatisation date can be kept.

This is the second in a series on the privatisation of Europe's state telecommunications operators. The first appeared on October 11; the third appears on Thursday.

Exxon lifted by asset sales and cost reductions

By Richard Waters in New York

EXXON comfortably exceeded market expectations yesterday with third-quarter profits which were bolstered by recent cost-cutting and disposals of assets.

The US energy group's 19 per cent rise in net income for the period, compared with the previous year, came against a backdrop of lower oil prices which has held back earnings at other oil companies.

"These strong earnings were generated despite soft worldwide economic conditions, weak crude oil prices, and provisions associated with the tax rate increase in the US," said Mr Lee Raymond, chairman.

Net income for the period rose to $1.36bn, or $1.09 a share, from $1.15bn, or 91 cents, on sales down to $27.9bn from $30.6bn.

On Wall street, Exxon's shares rose $⅞ to $65⅝, by early afternoon.

While exploration and production profits in the US remained flat, at $273m, overseas earnings in this area jumped to $549m from $468m.

US downstream operations, on the other hand, recorded an increase to $121m from $31m, while overseas earnings rose only slightly to $474m.

Falling oil prices, while holding back upstream earnings in the US, had been more than offset by the improvement in margins in petroleum products that resulted from cheaper oil, Mr Raymond said.

Exxon said the results benefited from lower operating costs, the effects of its asset management programme, under which it sold assets which were marginal or did not fit its long-term plans, and lower tax rates in some overseas countries.

● Atlantic Richfield (Arco) said net income in the third quarter fell to $68m from $332m in the previous year due to the increase in the US corporate tax rate and the cost of settling a legal action.

The results were held back by an after-tax charge of $115m resulting from the effect of the tax rate rise on deferred taxes.

The company recorded after-tax charges of $50m against the costs of litigation.

These mostly related to the decision by the US Court of Appeals to confirm a judgment against the company in a class action suit over breaches of energy pricing regulations between 1973-81.

Earnings per share fell to 42 cents from $2.06, on sales down to $4.55bn, from $4.83bn.

● Arco is to reorganise some of its oil and gas operations, resulting in a "substantial" charge to fourth-quarter earnings, Reuter adds.

The group said that it expected to cut between 900 and 1,000 jobs by the end of the transition period. The reorganisation of Arco Oil and Gas Co should result in annual after-tax cost-savings of about $100m, the company said.

Goodyear meets profit projections with $136m

By Karen Zagor in New York

GOODYEAR Tire & Rubber, the last of the big US-owned tyre companies, yesterday posted third-quarter profits at the top end of its projections.

The Akron, Ohio-based company earned $136.2m, or 92 cents a share, in the 1993 third quarter, compared with net income $91.5m, or 64 cents, in the same period of last year.

Earlier this month, Goodyear predicted earnings of $130m to $135m for the quarter.

Sales in the three months slipped to $2.9bn from $3bn. The company attributed the decline to currency translations and weakness in world economies. In addition, 1992 sales included $92m from subsequently divested businesses.

Goodyear said that its business unit operating margins of 10.5 per cent for the quarter continued to exceed its long-term objective of 10 per cent.

The company has cut costs, reduced sales and administrative expenses and improved its manufacturing efficiency.

Unit sales of tyres rose in the quarter, led by Goodyear's premium lines in the US and by light and medium truck tyre sales worldwide. Operating income from tyres rose 12.2 per cent to $261.2m in the quarter, although sales eased slightly to $2.5bn.

The company's general products division had operating income of $47.3m, including one-time gains of $9.1m from the sale of its Reneer Films business. A year earlier, the business had operating income of $46.3m.

Goodyear's oil transportation operations continued to post an operating loss in the quarter of $2.4m, compared with $2.6m a year earlier.

Results for the first nine months were muddied by special items in both years. Including these, Goodyear posted net income of $360.9m, or $2.47, against a net loss of $746.1m, or $5.24 a year ago.

Stripping out extraordinary items, last year's accounting changes and adjusting for a two-for-one stock split, Goodyear earned $375.5m, or $2.57, in the first nine months of this year, compared with $264.5m, or $1.86, in the same period of last year.

General Mills names president

GENERAL Mills, the US foods and restaurants group, has named Mr Stephen Sanger as president of the company, a new position, agencies report.

Mr Sanger was vice-chairman with responsibility for Big G cereals, Red Lobster and The Olive Garden restaurants, Yoplait yoghurt and the consumer foods sales division.

General Mills named Mr Stephen DeMeritt as chief executive officer of Cereal Partners Worldwide.

He is a senior vice-president at General Mills

No quick recovery from IBM's big blues

Analysts see further losses at the troubled computer group. **Louise Kehoe** reports

THE summer of 1993 brought big changes for International Business Machines. These included a new management structure and accelerated cost cutting – but not, it appears, any sign of recovery from two years of heavy losses.

Even the most optimistic analysts are predicting that today, IBM, once the bluest of the blue chip stocks, will report a loss for its third quarter. The only question is how deep the red ink will flow. While the consensus is an operating loss of about $170m, or 30 cents per share, it could be double that, some IBM-watchers fear.

The stage has been set for IBM by disappointing results from several other companies in the computer sector. Digital Equipment, in the midst of restructuring, last week reported net losses of $83m on revenues of $3bn for its first quarter, in spite of a $20m lift from accounting changes.

Digital's revenues declined almost 10 per cent from the same period last year, reflecting weak sales in Europe – particularly Germany and Italy – the company said. Even Hewlett-Packard, which earlier reported a 44 per cent earnings rise to $271m for its third quarter, ending in July, with revenues up 23 per cent at $5bn, saw a sharp drop in European order growth rates to 10 per cent, from 28 per cent growth in the previous quarter.

Depressed economic conditions in Europe, the largest export market for the US computer industry, are taking their toll on companies and IBM is expected to be no exception.

Last year, European sales of $23.75bn accounted for almost 37 per cent of IBM's total revenues. Germany, Italy and France are IBM's largest European markets. Thus the continuing weakness of the European economy represents one of the most formidable barriers to IBM's efforts to return to profitability.

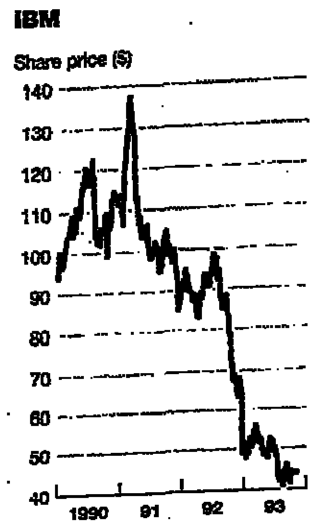
Another factor in the gloomy projections for IBM's third-quarter performance is rapidly declining mainframe computer prices. Mainframe computers, together with associated storage devices represent about 20 per cent of IBM's revenues.

Amdahl, one of IBM's direct competitors in the mainframe computer market, is due to report this week. The company has warned it expected to report an operating loss "considerably larger" than its second-quarter $23.7m loss.

The company cited slow mainframe computer sales and "intense competitive pressure on pricing" as the principal reasons for anticipated losses. Industry analysts say mainframe prices have declined by about 40 per cent in the 12 months ending in July, with IBM driving the trend with heavy discounting.

The personal computer market, in contrast, is rising and after losing market share to competitors, the IBM PC is on the rebound. IBM's share of the worldwide PC market rose to 14.9 per cent in the first quarter of this year from 10.9 per cent in 1992, according to IDC, a market research group.

Yet IBM's ability to take advantage of strong demand for its PCs has been hampered by parts shortages. In particular, IBM has been unable to get enough of the active-matrix flat panel displays used in its popular Thinkpad portable notebook computers.



Source: FT Graphite

Analysts estimate IBM may have lost as much as $1bn of business in the third quarter because of inability to keep pace with demand for its PC products.

Similar problems dogged Apple Computer and Compaq Computer last year and industry executives see the ability to forecast demand accurately – and order parts in advance – as a critical element of success in the PC market that IBM has yet to master.

Rival Compaq Computer, which last week reported a 64 per cent jump in sales to $1.75bn for the third quarter, with income more than doubling to $107m, seems to have been the chief beneficiary of IBM's supply constraints.

"Compaq is well prepared with manufacturing capacity and parts availability to take advantage of the strong demand we are experiencing," said Mr Eckhard Pfeiffer, Compaq president and chief executive.

As in other segments of the computer industry, personal computer profit margins are declining rapidly amid intense price competition.

Apple Computer, which reported its results this month, saw gross margins fall to below 26 per cent from above 40 per cent. In spite of record revenues of $2.14bn for its fourth fiscal quarter, Apple recorded a meagre net profit of $2.7m, down 97 per cent from the same period last year.

IBM's painful struggles to adjust to lower gross margins have seen its workforce cut by 125,000 since the end of 1986. Another 60,000 workers are expected to leave the company before the end of 1994. The company has written off $2.9bn in assets this year, half of it in manufacturing facilities.

While the short-term outlook for IBM is still bleak, at least one analyst believes Big Blue is on the right track.

"I'm not predicting it will happen in the fourth quarter or in the first quarter of next year, but the ingredients are in place for a recovery," says Mr John Jones of Salomon Brothers in San Francisco.

IBM's operating expenses and manufacturing costs are now "almost at parity" with industry competitors, Mr Jones says.

There is a new "fire in the belly" of its product divisions; a new determination to beat external competitors rather than squabble among internal divisions, he believes.

The decline in IBM's mainframe computer business will bottom out in 1995-1996, Mr Jones predicts. The company's introduction – expected next year – of parallel processing mainframe computer technology could lead to a reduction in mainframe computer costs, creating stronger demand.

"Of the data stores in Fortune 500 companies, 80 per cent is on mainframe computers today," Mr Jones points out. He expects IBM's new parallel processing technology, which will not require any software changes, to be an important factor in IBM's recovery.

New sources of revenue and profit for IBM include its emerging merchant semiconductor business.

Until recently, it has manufactured semiconductor chips only for its own use, but it has set aggressive goals to become a multi-billion dollar chip supplier to outside customers over the next few years.

Chips are one example of IBM's strategy to sell technology, components and even finished products to other companies, rather than end-users. IBM has set a goal of $3bn in original-equipment sales to industry customers this year.

These efforts are unlikely, to yield short-term returns and today's third-quarter financial report is expected to demonstrate that there is no quick fix for IBM's big blues.

NEWS IN BRIEF

Apple launches combined CD, TV and PC

By Louise Kehoe in San Francisco

APPLE Computer yesterday launched a Macintosh television that combines the functions of a Macintosh personal computer with a television set and a compact disc player.

Designed for home and higher education users, the $2,079 system is available only in the US. The product signals an industry trend towards combining computing and entertainment technology.

In a single unit, the Macintosh television provides the functions of a personal computer with a cable-ready 14-inch colour television, and audio CD player for stereo sound. The system can also be connected to a VCR, camcorder, laser disc player or video game player.

"The computer industry and the consumer electronics market are converging," said Mr Brodie Keast, director of product marketing for the Apple Personal Computer Division. "With this product, Apple hopes to learn more about the needs of this market."

S&P downgrades General Motors

STANDARD & Poor's, the US ratings agency, yesterday revised its outlook on General Motors to negative from stable, writes Karen Zagor in New York.

S&P affirmed its ratings for the company, including senior debt at triple B plus and preferred stock at triple B.

It warned, however, that ratings could be lowered within the next two years unless the company's North American automotive operations improves its financial performance significantly and the liability on the unfunded pension is reduced materially.

S&P noted that GM's market share performance has been disappointing in recent quarters. It added that the company's labour contract will not contribute to cost-cutting efforts at GM's core North American automotive operations, as had been expected.

US gypsum group earns $65m

USG, the US gypsum products group, said its third-quarter earnings before interest, taxes, depreciation, depletion, amortisation and other non-cash charges totalled $65m, compared with $54m last year, Reuter reports.

The company said it was reporting earnings on this basis due to a bankruptcy filing. USG emerged from bankruptcy on May 6 1993.

Net sales for the three months rose to $514m from $474m in the same period a year ago.

On the same basis, earnings for the full nine months rose to $165m from $132m a year ago while net sales increased to $1.42bn from $1.34bn.

"The continuing improvement in our cash earnings for the third quarter is further evidence that the housing market has continued to recover and that USG has substantial operating leverage in the recovery phase of the economic cycle," said Mr Eugene Connolly, USG chairman.

USG's domestic operations results continued to be helped by growing residential construction and expanded repair and remodel activity.

Scotts to buy WR Grace subsidiary

SCOTTS, the US garden products group, is to acquire Grace-Sierra Horticultural Products for more than $100m from a subsidiary of WR Grace, the specialty chemical group, and other investors, Reuter reports.

Scotts said that after the deal, Grace-Sierra's business and operations would be combined with Scotts' to form the world's largest turf and horticultural products company, with combined 1993 sales of nearly $600m.

Grace-Sierra manufactures and markets speciality fertilisers for nursery, golf course, greenhouse and consumer markets. The company said the acquisition would add significantly to sales growth and earnings potential through marketing efficiencies and cost reductions.

WR Grace said the deal included repayment of Grace-Sierra's indebtedness. It added that the deal was expected to be financed through a combination of long-term subordinated debt and bank borrowings.

Grace-Sierra was formed in 1989 by a combination of Sierra Chemical and the horticultural products business of WR Grace. It has worldwide sales of about $115m.

Xerox sells investment bank

XEROX Financial Services of the US has completed the spin-off of its Furman Selz Holding to a group of Furman employees for $99m in cash and junior subordinated debt, Reuter reports.

As part of the deal, a Xerox Financial affiliate will buy 9 per cent of the equity in the newly-formed company. Xerox said it will use the cash from the sale to pay off debt.

The spin-off is part of a step in Xerox's plan to get out of financial services and concentrate on the document processing business, the company said. Furman Selz is an international investment banking firm with 570 employees.

Western Digital to sell facility to Motorola

WESTERN Digital, the US semiconductor and disk drives group, is to sell its silicon wafer fabrication facility to Motorola, the US electronics group, for between $112m and $115m in cash, agencies report.

Motorola will also assume equipment leases associated with the facility. The deal will include other unspecified considerations. The transaction is should be completed by the end of December. Western Digital and Rockwell International earlier this month terminated their negotiations on the sale of the facility.

The transaction with Motorola also involves a supply contract, under which Western Digital said it would obtain a significant portion of its silicon wafer requirements for its disk drive and microcomputer products businesses from Motorola for at least two years after the sale.

The sale is subject to a definitive agreement and government and private party approvals.

"Once completed, the transaction will continue to fulfil one of our principal goals over the last year – meaningful reduction of bank debt – as well as facilitate our transition to a variable-cost structure from a high-fixed-cost structure," said Mr Charles Haggerty, Western Digital chairman.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.07	20.50	22.68
0100	20.81	20.50	22.88
0130	30.43	20.53	22.71
0200	30.43	20.50	22.68
0230	30.43	20.53	22.71
0300	25.48	20.53	22.71
0330	25.48	20.50	22.68
0400	25.48	20.50	22.68
0430	18.11	20.50	22.68
0500	18.11	20.50	22.68
0530	18.18	18.07	18.07
0600	18.40	18.08	18.08
0630	19.07	18.08	18.08
0700	24.79	24.93	27.11
0730	25.16	25.46	27.84
0800	25.22	25.87	29.08
0830	25.47	27.56	29.80
0900	25.68	27.70	29.96
0930	31.55	32.82	35.11
1000	34.77	32.84	35.13
1030	34.73	27.74	30.02
1100	64.67	27.74	30.08
1130	29.80	27.77	30.06
1200	29.21	27.77	30.06
1230	27.64	27.68	29.95
1300	25.72	27.56	29.79
1330	25.80	26.67	28.87
1400	25.89	25.50	27.89
1430	25.88	25.48	27.67
1500	25.68	25.48	27.86
1530	25.88	25.46	27.67
1600	25.72	25.53	27.73
1630	28.31	32.89	35.12
1700	49.23	32.98	35.23
1730	59.58	32.94	35.18
1800	61.34	32.84	35.05
1830	48.77	27.81	29.99
1900	39.31	27.68	30.10
1930	30.00	36.13	38.35
2000	25.77	36.13	38.34
2030	25.46	34.07	38.26
2100	25.22	25.25	27.43
2130	25.16	24.96	27.11
2200	25.16	24.93	27.11
2230	25.16	24.24	26.42
2300	19.07	21.31	23.48
2330	18.11	23.77	25.96
2400	18.40	21.31	23.48

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. [illegible] ©Energy Settlements and Information Services Limited

INTERNATIONAL COMPANIES AND FINANCE

SIA profits fall 15% at halfway

By Kieran Cooke in Singapore

SINGAPORE Airlines (SIA), consistently one of the world's most profitable carriers, blamed recession in many markets, intense competition and the strength of the Singapore dollar for a 15 per cent drop in pre-tax profits for the six months ending September 30.

SIA had pre-tax profits of S$423.5m (US$269m) in the six months, compared with pre-tax profits of S$498m in the same period last year.

While SIA reported that turnover had increased by 10.3 per cent to S$3.04bn, it said that intense competition had cut yields and lowered revenue by S$187m.

The airline said revenues were cut by a further S$48m due to the strength of the Singapore dollar.

Mr Cheong Choong Kong, SIA's managing director, said the airline was working in a very difficult business environment. "SIA's first-half profit was lower than a year ago but considering the performance of the competition, we did not do too badly," said Mr Cheong.

Cathay Pacific, one of SIA's main competitors in the Far East, recently reported a 46 per cent fall in interim earnings.

"Although the industry continues to be plagued by low yields, traffic has picked up over the past few months and load factors are higher than the same period last year," said Mr Cheong. "It is tempting to conclude that the worst is over but it is too soon to tell."

SIA's interim results were below market expectations. SIA is committed to maintaining a young fleet of aircraft but in recent years it has faced increasing difficulty off-loading older aircraft in what has been a poor second-hand market. SIA consolidates the revenues from aircraft sales into its operating profits.

However, SIA is still cash rich – net cash reserves declined slightly over the six-month period to S$1.27bn.

Earnings per share over the six-month period were 30.5 Singapore cents, compared with 34.8 cents in the same period last year.

The dividend was unchanged at 7.5 cents.

Foster's accepts offer from Hudson Conway

By Nikki Tait in Sydney

FOSTER'S Brewing Group, the Australian brewer which owns Courage in the UK, yesterday announced that it had accepted an offer from Hudson Conway (HCL), a Victoria-based property group in which Mr Kerry Packer's Consolidated Press has an interest, to buy back and cancel shares owned by Foster's in HCL.

The offer is pitched at A$3.50 a share. Foster's owns around 12.8m shares in Hudson Conway, which would net it approximately A$45m (US$30m).

In a statement to the Australian Stock Exchange, Hudson Conway – which is part of the consortium that recently won the right to build Melbourne's first casino – said the proposal was subject to shareholder approval at its annual meeting, scheduled for November, and confirmation by the Supreme Court of Victoria.

● CRA, the Australian mining house which is 49 per cent owned by RTZ Corporation, yesterday announced a series of top-level management changes, intended to ensure a smooth succession as members of current management retire.

The mining company said that Mr Leon Davis would succeed Mr John Ralph as chief executive of the company, when Mr Ralph retires next year. Mr Davis has been with CRA for 37 years and was seconded to RTZ, as mining director, in 1991.

He will return to Melbourne in May, and fill the post of managing director and chief executive designate until Mr Ralph, CRA's long-standing chief executive retires later in 1994.

SA retailer up despite market weakness

By Philip Gawith in Johannesburg

PEPKOR, South Africa's largest mass-market retail group, increased attributable profit in the six months to August by 8 per cent to R48.7m ($14.5m), from R45m last time.

The markets in which Pepkor operates continue to be depressed with consumer confidence low, disposable income down and unemployment, especially in the market segments served by Pepkor, rising. Turnover, as a result, rose by only 2 per cent – well below inflation – to R3.8bn. Margins, however, were maintained and operating profit was also 2 per cent higher at R98.9m.

Earnings per share rose by 5 per cent to 29 cents from 27.7 cents and the dividend was increased by 6 per cent to 8.5 cents per share. Mr Christo Wiese, chairman, said that barring political setbacks, he expected Pepkor to continue the earnings growth of the first six months for the remainder of the year.

A divisional breakdown of earnings shows that Pep, the clothing retailer that is the core of the group, suffered a 5 per cent fall in earnings. Pep's chain of Scottish stores, known as Your More Store, is expected to break even in the second half of the year. Shoprite/Checkers, the food arm, continued rationalisation and expansion, with earnings rising by 7.7 per cent. Cashbuild increased earnings by 48 per cent and they rose by 19 per cent at Smart Centre.

Mr Wiese said Pepkor was in a consolidation phase following some large takeovers in recent years.

Correction

Hong Kong bonds

THE REPORT on the Hong Kong convertible bond market published in Friday's FT contained incorrect figures. The figures mentioned should have been US dollars, not Hong Kong dollars.

Constructing the new, modern Indonesia

Economic growth means a boom for property companies, reports William Keeling

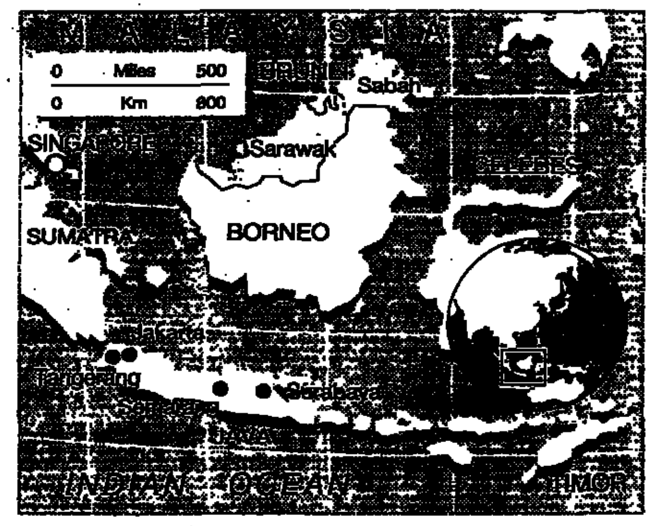
IN West Jakarta, a newly-constructed, garish pink, shopping and hotel complex rises from the ground like a giant wedding cake. Designed to be visible from the passing toll-road, it is the showcase project of Ciputra Development, a leading Indonesian property company.

Indonesia, with a population of 190m, is the largest country among the fast-growing economies of south-east Asia. In common with its neighbours, two decades of economic success have resulted in a growing middle-class and a demand for modern retail outlets, offices and housing – and Indonesia's property companies are making the most of the good times.

Ciputra Development has announced plans to go public by the end of the year, raising $120m and valuing the company at about $500m. Brokers expect the issue to proceed smoothly; the Jakarta stock market has risen more than 60 per cent since December, and property companies have matched the index.

The six leading quoted property companies have a combined capitalisation of over Rp3,600bn ($1.7bn), though much of that is rooted in faith. Companies are rated on future potential, not on the bricks and mortar in place.

Modernland Realty, which went public in January and has a current market capitalisation of Rp654bn, has two residential sites totalling 820 hectares in the Jakarta area. At its more up-market Tangerang estate just outside Jakarta, on which development began four



years ago, an 18-hole golf course is being constructed to attract potential residents.

The first nine holes will not be ready until December but lots beside the course have been selling for Rp1.6bn each, excluding the cost of the house. With most of the land still in the form of paddy-fields, the estate is unlikely to be completed until 2004.

Jakarta International Hotel and Development has a similar story in the office sector. Its sole current operation is the Borobodur Hotel in Jakarta and the company's Rp1,600bn market capitalisation is due largely to its undeveloped 41 hectare site in the city's business district. By 1995, this site will be home to the stock exchange and plots have been sold to a state-pension fund and an army-controlled bank. But plans for the 36 remaining hectares are incomplete and development is forecast to take 15 years.

Ciputra Development is little different. Its 455 hectare Citra Garden housing project is less than half complete, while its 500 hectare estate in Tangerang and 1,000 hectare housing project in Surabaya, East Java, are still in initial stages.

While the number of rival housing projects grows almost monthly, Mr Hugh Obbard, managing director of property consultants First Pacific Davies Indonesia, believes "the demand for low to middle-cost housing is outstripping supply. The main surprise in the market has been the upper-income housing bracket continuing to perform so well". The steady lowering of interest rates this year bodes well, he says.

Ciputra Development claims two competitive advantages: the geographical spread of its 8.8m sq metre landbank around Java island, home to 60 per cent of Indonesia's population, and the reputation of Mr Ciputra, the company's founder and chairman.

While most companies' landbanks are concentrated in Jakarta, Ciputra Development has highlighted other densely-populated urban centres: Surabaya, with a 2.6m population, and Semarang, Central Java's capital with a 1.3m population, where the company is building a 20,500 sq metre shopping and hotel complex.

Mr Ciputra has more than 30 years' experience in property and Ciputra Development enjoys a 14 per cent share of Jakarta's housing market. Two other private companies in which Mr Ciputra is a large shareholder – Jaya Group and Metropolitan Group – hold a further 41 per cent share.

Mr Harun Hajadi, director of Ciputra Development, says the three companies reduce costs through joint marketing activities, but adds that Mr Ciputra avoids favouring one company to the detriment of the others.

Brokers say Mr Ciputra is politically well-connected and packs a punch in Indonesia's golfing world – important for networking government officials.

The company forecasts a gross profit of Rp88bn on revenue of Rp242bn this year, rising to a profit of Rp161bn on revenue of Rp503bn in 1994. Brokers expect it to be a blue-chip property stock, but reserve their final endorsement until the issue is priced. The company is unlikely to be offered at a steep discount. Brokers say the anticipated price of Rp5,000 a share would value the company at about 18 times projected 1994 earnings.

NEWS DIGEST

Paper groups report lower earnings, sales

TWO leading Japanese paper companies which merged this month reported declines in sales and profits as demand for paper was hit by the prolonged economic downturn, writes Emiko Terazono.

Kanzaki Paper and Oji Paper, which formed New Oji Paper on October 1, said their earnings were hit by a fall in paper prices due to over-supply.

Oji's non-consolidated pre-tax profits for the six months to September fell 7.5 per cent to Y5bn ($46m) on a 4.9 per cent fall in sales to Y216bn. After-tax profits dropped 17.4 per cent to Y3.2bn. Sales of paper and pulp products fell 4.5 per cent to Y201bn, while processed paper products and lumber fell 5.2 per cent to Y215bn.

Kanzaki posted a 24 per cent fall in half-year pre-tax profits to Y788m, while sales fell 9.6 per cent to Y64.2bn. After-tax profits rose 27.7 per cent to Y641m. Sales of its mainstay paper and pulp products fell 9.3 per cent to Y63.7bn.

For the full year to March, New Oji expects pre-tax profits of Y11bn on sales of Y496bn and an after-tax profit of Y6.7bn.

First-quarter loss at MIM Holdings

THE continuing slump in base metals prices has pushed Brisbane-based MIM Holdings to a first-quarter after-tax loss of A$30.4m (US$20.3m) in the 12 weeks to September 19, compared with a profit of A$29m a year ago, writes Nikki Tait.

At the operating level, the international metals group saw an after-tax deficit of A$6.9m, down from last time's profit of A$34.5m. The final result was further depressed by A$17.8m due to a write-off of cash contributed by MIM to its joint-venture smelting operations in Germany.

The company said that sales volumes rose in some areas – 18 per cent higher for lead, 28 per cent for zinc, and 41 per cent for coal – although copper was down 10 per cent and gold by 24 per cent.

But base metals prices fell in Australian dollar terms, with zinc – down 38 per cent – showing the largest year-on-year decline.

Gold and silver prices were stronger, but total sales revenue for the quarter still slipped by 9 per cent.

Japanese second-tier brokers still suffering

By Emiko Terazono in Tokyo

SIX of Japan's 10 second-tier stockbrokers remained in the red in the first six months of the current fiscal year.

Daily average trading value for the six months to September rose 58 per cent on the Tokyo stock exchange to Y408bn ($3.77bn). However, trading has been dominated by institutional investor,s and some smaller brokers which rely heavily on retail commissions did not benefit from the increase in trading activity.

Cost-cutting and a rise in brokerage commissions and bond trading profits helped New Japan Securities, Kokusai Securities, Wako Securities, and Tokyo Securities return to the black. Kokusai posted the largest pre-tax profit of Y4.7bn, against a pre-tax loss of Y7.2bn the previous year.

Pre-tax losses at the remaining six ranged from Y894m at Yamatane Securities to Y5.3bn at Kankaku Securities.

On an after-tax basis, Cosmo Securities posted the largest loss of Y72bn as it wrote off losses stemming from its "tobashi" deals, or manipulating investors' lossmaking accounts.

Sanyo saw a pre-tax loss of Y5bn, while Okasan posted a pre-tax loss of Y1.4bn.

Yamatane posted a loss of Y269m.

LEGAL NOTICES

Indian offerings find firm demand from overseas

By Antonia Sharpe

THE STRONG response from international investors to recent offerings which provide exposure to India gives some indication of the volume of foreign money which is waiting to flow into the country.

India is widely regarded as the emerging market of the 1990s, following the introduction of free market reforms.

Foreign & Colonial Emerging Markets said yesterday that its new India fund had attracted around $150m, well above its expectations of $50m-$100m.

There were also reports yesterday that the $125m six-year Euroconvertible bond issue from Reliance Industries, India's largest private-sector company, had been oversubscribed by 10 times. The issue is expected to be priced today.

When Reliance's issue was launched last Thursday, lead manager Morgan Stanley said that the issue was already several times oversubscribed. However, Morgan Stanley declined to comment on yesterday's reports.

Mr Sanjit Talukdar, the fund manager of F&C's Indian Investment Company Sicav (Indico), said that the sum raised was equivalent to one day's trading volume in the Indian stock market.

Half of the money came from UK institutions, followed by Asia which accounted for 40 per cent. The remainder was divided equally between the United States and continental Europe.

Indico is an open-ended fund which aims to invest mainly in medium-sized Indian companies. Mr Talukdar said that initially only 20 per cent of Indico would be invested in medium-sized companies because of the lack of liquidity in these stocks.

The remaining 80 per cent would be invested in blue-chip Indian companies. However, more than 50 per cent of the fund would be invested in medium-sized companies by the end of the first year, he said.

Indico, which will be listed in Luxembourg, is due to start trading later this week once it has received the final approval from the Indian regulators.

The strength of international demand for Indian investments has prompted several Indian companies to tap the international capital markets this year. They include SCICI, a financial institution; ITC, a tobacco and hotels company; and Hindalco, an aluminium company.

Bombay Dyeing, a textiles manufacturer, is expected to launch an issue of global depositary receipts with warrants later this week. Lead manager CSFB declined to comment on the size of the issue but there were reports that the issue would only raise between $30m and $40m.

HK bank faces spin-off

By Simon Davies in Hong Kong

INTERNATIONAL Bank of Asia (IBA), the Hong Kong retail bank which is part of the Bahrain-based Arab Banking Corporation (ABC), is to be spun off via a HK$598m public offer in Hong Kong.

ABC has recently sold 20 per cent of IBA to the state-owned China Everbright for about HK$440m.

After the Hong Kong public offer, ABC will own 55 per cent of the bank, one of the largest in Hong Kong with 20 branches.

Net earnings over the past five years have risen at a compound rate of 35 per cent. Net profit this year is forecast to increase by 16 per cent to HK$166m.

The company is offering 159m new shares at HK$3.76 a share. Proceeds will help fund expansion of the group's retail operations in Hong Kong.

The link-up with China Everbright is expected to expand IBA's presence in China.

Dealers anticipate issues from Swedish borrowers

By Antonia Sharpe

TWO large international bond issues from Swedish borrowers are likely to emerge today when the Kingdom of Sweden raises at least $1bn through an issue of three-year global floating rate notes (FRNs) and Urban Mortgage Bank of Sweden (UMB) raises $500m through an offering of five-year Eurobonds.

Sweden's FRNs, via Lehman Brothers and J.P. Morgan, are expected to be priced at a small discount to par and carry a coupon of three-month Libor minus ⅛ point.

UMB's Eurobonds, via Nomura, are likely to be priced to yield 68 basis points over the when issued US treasury due 1998.

Some syndicate managers said the two issues effectively offered investors a broad yield spectrum on Swedish government debt, since UMB is backed by SKr27bn guarantee fund from the government.

Among yesterday's issues, the European Investment Bank tapped investor demand for short-dated Eurolira paper

INTERNATIONAL BONDS

with its L500bn issue of three-year Eurobonds. Joint lead manager IMI said that investors were reducing their exposure to the long end of the yield curve and were re-investing their profits in the shorter end.

The EIB kept the proceeds of the issue in fixed-rate lira but hedged itself against any fall in Italian interest rates over the next four months by entering a "spread-lock" or a "delayed rate settlement" agreement with IMI.

IMI said the agreement offered mutual compensation to both parties because it also protected IMI against a rise in rates during the four-month period.

EIB's bonds had a re-offer price of 99.88 to yield 52 basis points below the 9 per cent Italian government bond due 1996. When the bonds were freed to trade they were quoted at 99.75 in line with underlying weakness in European bond markets.

Elsewhere, the development of an international fixed-income market for Hong Kong borrowers took another step yesterday with the launch of a five-year Eurobond issue from Sun Hung Kai Properties.

Sung Hung Kai Properties is the holding company for the largest property investment and development operations in Hong Kong. It is the fifth-largest company on the Hong Kong stock exchange by market capitalisation.

Lead manager Morgan Stanley said Sun Hung Kai was able to raise $300m, $50m more than it had originally planned, due to greater-than-expected demand.

The bonds were priced to yield 82 basis points over the when issued US Treasury due 1998, which was one basis point below the yield spread at launch on the $500m five-year issue from Cheung Kong in early September. Cheung Kong's bonds, which opened up the Eurobond market to Hong Kong borrowers, were trading at a spread of 85 basis points yesterday.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Daiwa House Ind. Co.(a)Φ	800	1	100	Nov.1997	2.25	-	Nomura Intl.
Sun Hung Kai Prps.Fin.Cayman	300	5.625	99.695R	Nov.1998	0.40R	-	Morgan Stanley Intl.
LB Hessen-Thuringen	150	6.25	99.45R	Nov.2008	0.50R	-	Lehman Bros. Intl.
US Air Inc.(b)	75	8.625#	100R	Sep.1998	2.00R	-	Morgan Stanley Intl.
Fujitec Co.(c)Φ	60	0.875	100	Nov.1997	2.25	-	Nomura Intl.
Fujitec Co.(d)‡	30	(d)#	100	Nov.1998	0.25	-	Daiwa Bk.Cap. Management
ITALIAN LIRE							
European Inv. Bank	500bn	7.625	99.88R	Nov.1996	0.188	-52(9%-96)	Banco di Roma/IMI Lux.
GUILDERS							
Nederlandsche Waterschapsbk.	150	6.25	99.90R	Jan.2009	0.30	-	Intl. Nederlanden Bank
ESCUDOS							
World Bank(e)	11.6bn	8.5	100.70	Nov.1998	(e)	-25(12½%-98)	Bco.Finantia/Bco.Formento
SWISS FRANCS							
Staluxf(f)§★	125	1.75‡	100	Mar.2001	-	-	Nomura Bank (Switz.)
Fujitec Co.(c)Φ★	100	0.375	100	Nov.1997	-	-	Nikko Bank (Switz.)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Private placement. §Convertible. ΦWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Fixing: 2.11.93. b) Tranche A1 of 3 Tranche issue. Short first coupon. c) Fixing 1.11.93. d) Coupon pays 6-month Libor + 27.5bp. e) Spread relates to OATs. Fees undisclosed. f) Callable on 31.3.94 at 103½% declining ¼% semi-annually. Fixing: 28.10.93.

European investors switch into shorter maturities

By Conner Middelmann in London and Patrick Harverson in New York

AFTER last week's sweeping round of rate cuts, most European yield curves continued to steepen yesterday as investors took profits at the

GOVERNMENT BONDS

long end and shifted into shorter maturities.

US Treasuries' continued weakness added to the markets' soft tone and compounded the pressure on longer-dated bonds.

■ GERMAN bonds were damped by somewhat disappointing regional September inflation data. Consumer prices in Baden-Württemberg rose 0.3 per cent on the month and 4.1 per cent on the year, above market forecasts for 0.2 per cent and 3.8 per cent. Numbers from North Rhine-Westphalia – at 0.2 per cent and 3.7 per cent, respectively – were more in line with expectations.

"The numbers weren't really all that bad, but they provided a good enough excuse for long-overdue profit-taking," said a Frankfurt trader.

The December bund contract fell by 0.49 point to 90.97 and is expected to test key support levels at 90.90 today.

The German railways issued DM2.35bn 10-year 6¾ per cent bonds at an average 6.05 per cent yield. A second portion of the bonds will be sold today via a US-style auction.

■ FRENCH government bonds followed bunds lower. The notional bond contract fell 0.26 point on the day to 124.66 and slipped another 0.12 point in after-hours trading.

■ UK gilts eased across the curve, with the short end damped by receding hopes for a rate-cut before the November 30 Budget and longer maturities pressured by profit-taking.

Medium maturities were restrained ahead of tomorrow's auction of £3.5bn of 6 per cent gilts. Retail activity has been scant in recent days and this had some traders worrying that the bid-to-cover ratio might be disappointing. But according to one gilts salesman, "the issue has cheapened up quite nicely and that should attract some good demand".

■ AFTER being Europe's top performers in recent weeks, the high-yielding markets posted the sharpest losses on heavy profit-taking.

The Italian BTP futures contract dropped 1.10 point to 117.35 and is expected to test key support at 117 today, with the next target seen at 116.50.

The Spanish bond contract on Madrid's futures exchange fell 0.49 point to 103.52. Market sentiment was subdued by warnings from the International Monetary Fund that Spain should be cautious on further rate cuts until price stability and structural economic reforms had been achieved.

■ BELGIAN bonds held up relatively well despite the breakdown on Sunday of the social pact talks between the country's unions, employers and the government.

While the Belgian franc weakened against the D-Mark, Belgian bonds' yield premium over bunds widened by only one basis point from Friday to 121 basis points.

■ THE sell-off in the US Treasury market continued yesterday as long-term bond yields rose back above 6 per cent in the wake of economically bullish comments from senior government officials.

In early afternoon trading, the benchmark 30-year government bond was down $\frac{11}{16}$ at $103\frac{3}{32}$, yielding 6.020 per cent. At the short end of the market, the two-year note was down $\frac{1}{16}$ at 99¾, to yield 3.925 per cent.

After last week's declines, investor sentiment was shaky when trading opened yesterday. It was no surprise, therefore, when prices nosedived mid-morning after Mr Robert Reich, labour secretary, made bullish comments about the economy, predicting fourth-quarter growth of more than 3 per cent. Prices were also pushed lower by a relatively robust September home sales report, and by rumours of heavy selling by a large hedge fund.

■ CANADIAN government bonds fell more than ½ point, dragged lower by the sell-off in US Treasuries.

While market sentiment was nervous ahead of last night's elections, most traders were discounting a majority win by the Liberal party, which was widely seen to be positive for the market. "Most people are going into the polls long on Canadian bonds," said a trader at a Canadian bank in London.

FT FIXED INTEREST INDICES

	Oct 25	Oct 22	Oct 21	Oct 20	Oct 19	Year ago	High *	Low *
Govt Secs (UK)	103.24	103.60	103.46	103.31	102.88	93.28	103.60	93.28
Fixed Interest	124.84	124.95	125.03	124.68	124.14	108.62	125.20	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Oct 22	Oct 21	Oct 20	Oct 19	Oct 18
Gilt Edged Bargains	106.5	108.1	118.8	112.1	99.5
5-Day average	109.0	108.2	107.2	104.8	103.5

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	120.9258	-0.419	6.57	6.55	6.60
BELGIUM		9.000	03/03	112.7500	-0.300	7.09	7.10	7.25
CANADA *		7.500	12/03	105.1000	-0.650	6.79	6.70	6.91
DENMARK		8.000	05/03	111.6500	+0.100	6.33	6.42	6.70
FRANCE	BTAN	5.750	11/98	101.5323	-0.262	5.39	5.48	5.59
	OAT	6.750	10/03	108.3300	-0.250	5.89	5.90	6.06
GERMANY		6.000	09/03	100.9150	-0.290	5.87	5.87	6.06
ITALY		10.000	09/03	107.8300	-0.895	8.96†	8.85	9.44
JAPAN	No 119	4.800	06/99	108.3096	+0.049	3.07	3.24	3.37
	No 157	4.500	06/03	106.5033	-0.114	3.72	3.84	3.85
NETHERLANDS		7.000	02/03	108.2300	-0.400	5.82	5.81	5.97
SPAIN		10.900	08/03	116.0500	-0.450	8.41	8.55	9.14
UK GILTS		7.250	03/98	104-19	-11/32	6.05	6.13	6.28
		8.000	06/03	108-20	-20/32	6.76	6.81	6.96
		9.000	10/08	117-04	-21/32	7.12	7.17	7.31
US TREASURY *		5.750	08/03	102-02	-05/32	5.47	5.20	5.34
		6.250	08/23	102-27	-26/32	6.04	5.81	5.99
ECU (French Govt)		8.000	04/03	111.2800	-0.270	6.37	6.33	6.66

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on October 25

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Abbey Natl Treasury 6½ 03	1000	103⅛	103⅜	-⅝	6.05	Arbed 7½ 95 LFr	600	99⅞	100⅜		7.87
AlbertaProvince 9⅜ 95	600	109½	109⅞	-⅛	4.32	Genfinance Lux 9⅛ 99 LFr	1000	107¼	110½		7.44
[illegible]						[illegible]					

FLOATING RATE NOTES; DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; CONVERTIBLE BONDS: [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	74	5
Other Fixed Interest	0	3	12
Commercial, Industrial	243	278	891
Financial & Property	117	147	563
Oil & Gas	15	21	43
Plantations	2	1	5
Mines	26	46	65
Others	28	59	47
Totals	434	629	1,631

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	121	94	AngGo Water Wnts	115	-½	-	-	-	-
100	50		62	53	BZW Endowment Fund	54½	-½	-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or -
[illegible]							

RIGHTS OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or -
[illegible]							
35	Nil	25/10	1pm	¾pm	Britannia	¾pm	
30	Nil	10/12	4pm	¼pm	Costain	1¼pm	-¼
80	Nil	10/12	26pm	25pm	Fenner	25pm	
1	Nil	1/11	1pm	½pm	※Flagstone	½pm	
187	Nil	10/12	33pm	28pm	Frost	33pm	
150	Nil	2/11	23pm	18pm	JIB	23pm	
260	Nil	2/11	77pm	48pm	MB Caradon	77pm	
375	Nil	6/12	125pm	115pm	Matthew Clark	125pm	
330	Nil	29/11	68pm	58pm	Mersey Docks	67pm	
8	Nil	26/10	4pm	2pm	Phoenix Timber	2pm	
28	Nil	2/12	14pm	10pm	Sadeland	10pm	-1
105	Nil	12/11	26½pm	23pm	Takare	23pm	
215	Nil	8/12	34pm	31pm	Yule Catto	34pm	

pm Price at a premium. For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Oct. 11
- Last Dealings Oct. 22
- Last Declarations Jan. 13
- For settlement Jan. 24

3-month call rate indications are shown in Saturday editions.

Calls: Aminex, Burton, Casket, Hong Kong Inv., Kewill, LIT Pref., Lonrho, Monument Oil, Pearson, Rhino, Saville Gordon, Shandwick, Southern Deep, St. James Place, TR Tech, and Trafalgar House.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied-Lyons	550	50½	59½	69	1	8½	14
[illegible]							
Ladbroke	160	21	29	30	1	5½	9
(*179)	180	2½	15½	18	4½	14	19
Utd Biscuits	360	11½	31½	36	1½	15½	26½
(*386)	390	1	17	22½	24	32½	44

Option		Calls Oct	Calls Dec	Calls Mar	Puts Oct	Puts Dec	Puts Mar
Fisons	160	12½	16½	23½	1	7½	12½
(*170)	180	1	7	14½	11½	19	24

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Brit Aero	390	32	51½	62½	8½	28	35½
(*410)	420	15	38	47½	23½	41½	51

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
BAT Inds	475	25	36½	-	5½	18	-
(*489)	500	11½	24½	28½	17½	28	36
[illegible]							
Blue Circle	280	27½	37½	40½	5	11½	16
(*298)	300	15	26	29	13½	20½	26
British Gas	330	23	33½	37	3½	8	14
(*347)	360	6½	16½	20½	18½	22	29
Dixons	260	28	36½	43	6	14	18
(*278)	280	16	25	33	14½	23	27½
Eurotunnel	460	40	-	-	23	-	-
(*473)	500	20	-	-	47	-	-
Hillsdown	160	7	15	16½	8	12	17½
(*161)	180	1½	7	8½	24	28	31½

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Lonrho	120	14½	18½	21½	5	9½	11
(*128)	130	8½	13½	16½	9½	14½	16
[illegible]							

EURO FT-SE INDEX; FT-SE INDEX: [illegible]

October 25 Total Contracts 29,060
Calls 15,861 Puts 13,199
FT-SE Index Calls 4,746 Puts 4,612
Euro FT-SE Calls 2,861 Puts 188
*Underlying security price. †Long dated expiry months. Equity premiums are based on closing offer prices. Index options are settlement prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Mon Oct 25	Day's change %	Fri Oct 22	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	128.98	-0.14	129.15	1.54	9.80
2	5-15 years (23)	157.14	-0.39	157.76	1.69	11.06
3	Over 15 years (8)	178.28	-0.42	179.03	2.49	9.70
4	Irredeemables (6)	206.90	-0.37	212.33	-0.22	13.47
5	All stocks (62)	152.48	-0.32	153.00	1.76	10.54
	Index-Linked					
6	Up to 5 years (2)	190.39	-0.19	190.74	0.33	4.28
7	Over 5 years (11)	186.70	-0.43	187.50	0.73	4.29
8	All stocks (13)	186.17	-0.40	186.92	0.68	4.27
9	Debs & Loans (66)	144.80	-0.06	144.88	1.97	9.50

AVERAGE GROSS REDEMPTION YIELDS

			Mon Oct 25	Fri Oct 22	Year ago (approx.)
	British Government				
1	Low	5 years	6.02	5.95	7.10
2	Coupons	15 years	6.95	6.89	8.44
3	(0%-7¾%)	20 years	7.07	7.03	8.73
4	Medium	5 years	6.26	6.19	7.41
5	Coupons	15 years	7.11	7.05	8.75
6	(8%-10¾%)	20 years	7.17	7.13	9.03
7	High	5 years	6.41	6.35	7.57
8	Coupons	15 years	7.31	7.26	9.06
9	(11%-)	20 years	7.34	7.28	9.19
10	Irredeemables(Flat Yield)		7.21	7.18	9.09
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.17	2.11	2.62
12	Inflation rate 5%	Over 5 yrs.	3.12	3.09	3.83
13	Inflation rate 10%	Up to 5 yrs.	1.33	1.26	1.82
14	Inflation rate 10%	Over 5 yrs.	2.94	2.91	3.65
15	Debs &	5 years	7.65	7.65	8.83
16	Loans	15 years	8.02	8.01	10.07
17		25 years	8.16	8.14	10.27

Moss Bros up 77% on higher market share

By David Blackwell

A LARGER share of the UK suit market helped Moss Bros, the clothing outfitter, lift pre-tax profits by 77 per cent, from £354,000 to £625,000, in the six months to July 31.

Mr Rowland Gee, managing director, described the rise as "satisfactory given the fragility of the recovery the UK is seeing".

The shares rose 7p to 245p.

The group, which makes 70 per cent of its operating profits in the second half, lifted its market share for suits from 5.5 to 6 per cent in the first six months. It maintained its position as the number one hire business for formal wear with a 38 per cent market share.

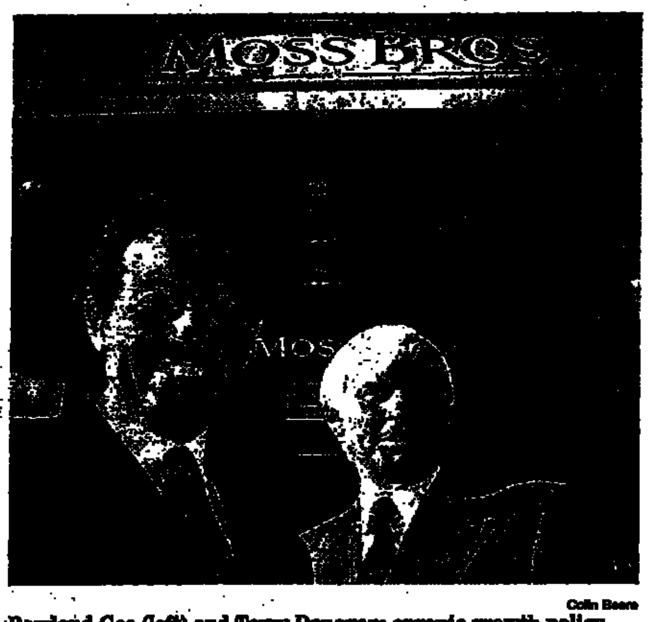
More than half the pre-tax profit was accounted for by interest receivable of £321,000, down from £491,000. Operating profit was £304,000 on turnover of £25.5m, compared with a previous operating loss of £137,000 on turnover of £23.9m.

The group had net cash of £10.2m (£8.5m) at the period end. Mr Terry Donovan, finance director, said the group was "not embarrassed by the money – too many retailers have fallen by the wayside." The group would continue to take a cautious approach with its cash.

Mr Gee said the group had rigorously controlled its costs and was continuing to pursue a policy of organic growth. Capital expenditure rose from £260,000 to £1m in the period.

The Savoy Taylors Guild outlets in Canterbury, Exeter and Colchester were relocated to larger shops and a new Cecil Gee branch was opened recently at Lakeside, Thurrock. The group now has 107 stores, almost half of which trade as Suit Co.

Earnings per share rose from 1.42p to 2.5p. The interim dividend is unchanged at 1.5p.



Colin Beere

Rowland Gee (left) and Terry Donovan: organic growth policy

LA Gear disposal helps Blacks recover to £0.64m

By David Blackwell

BLACKS LEISURE, the camping, sports and fashion retailer and distributor, lifted profits from continuing operations before tax and exceptional items by 6 per cent to £226,000 in the six months to August 28.

At the pre-tax level, profit of £638,000 compared with a loss of £8.2m.

The latest figure included a profit of £885,000 from the sale in June of its LA Gear distribution business. The loss last time included £7.7m of goodwill already written off. Total interest payable was down from £507,000 to £307,000.

Total turnover fell from £35m to £30.4m, including £2.67m (£7.7m) from discontinued operations. Total operating profit after a £439,000 loss on discontinued operations was £60,000, compared with an operating deficit last time of £203,000 following a £753,000 loss on discontinued operations.

Continuing operations of the retail division made profits of £1.1m (losses £273,000) on turnover of £21.4m (£17.9m).

Mr Simon Bentley, chairman and chief executive, said the division had improved its margins and pushed like-for-like sales up by 20 per cent.

This had been achieved through much keener buying, concentration on Blacks' own brands, and the purchase of more clearance lines from established suppliers.

At the same time the group was advertising more and had increased staff training and cut costs.

The distribution division incurred a deficit of £288,000 (profit £1.3m) from a sharply lower turnover of £6.2m (£9.5m).

Mr Bentley said the group was looking for suitable opportunities to expand the distribution division following the disposal of the LA Gear business.

He described the market as flat. "If we do see growth in the market, all to the good, but we don't expect it in our strategy or plans."

Earnings per share were 1.86p (losses 25.94p). The interim dividend is unchanged at 0.75p.

Kewill's Austrian arm signs marketing deal with IBM

By Alan Cane

KEWILL SYSTEMS, a Surrey-based computer software supplier, said yesterday that Han Dataport, its Austrian subsidiary, had signed a development and marketing agreement with IBM Deutschland through which the computer giant would sell Han Dataport's computer-aided design software.

The agreement covers co-operation in the development of the software – called CAD 400 – and its selling on IBM's System/6000 mid-range computers.

CAD 400 is designed for the construction and building services market.

The aim of the co-operative effort is to provide systems for planners, architects, construction engineers, interior designers, building services engineers and building managers.

Mr Richard Broad, Kewill's finance director, said he expected the adoption of CAD 400 by IBM to prove very significant for the company but he did not expect to see the benefits working through to the results before 1994 or 1995.

IBM is thought to have about 25 per cent of the German CAD market.

Kewill is recovering from a period of poor results caused by problems with its German subsidiary, Weigang, sold to its management earlier this year.

Kewill reported pre-tax losses of £5.69m for the year to March 31.

The shares closed up 4p at 248p, against a 12-month low of 47p.

Recovery gets under way at slimmed-down Darby

DARBY GROUP, the USM-traded specialist glass company, reported pre-tax profits of £379,000 for the six months to August 31, on sales of £8.27m.

The Scunthorpe-based group also announced a return to the dividend list with an interim distribution of 0.5p.

The comparable period saw losses of £471,000 before tax, as profits of £99,000 from continuing activities were outweighed by a deficit from French and US operations, now sold.

Mr Michael Darby, chairman, said business in the UK was slowly improving – the factory in Barking has been re-commissioned reflecting a stronger market in the south-east – but there was reduced activity in German markets.

Nevertheless, exports now account for some 10 per cent of total turnover.

"We shall continued to pursue this market vigorously," he added.

Earnings per share emerged at 2.2p (losses of 1.99p).

Angerstein and Masthead join Lloyd's investment trust queue

By Philip Coggan, Personal Finance Editor

TWO MORE Lloyd's investment trusts have issued pathfinder prospectuses following last week's vote to admit corporate capital to the London insurance market.

Angerstein Underwriting Trust is aiming to raise up to £75m through an issue of ordinary shares, with warrants attached, on a 1-for-5 basis. It said it had received indications from Stace Barr, its adviser, that it would be allocated more than £100m of underwriting capacity on syndicates in 1994. NatWest Markets is sponsor to the issue.

As with other Lloyd's trusts, Angerstein will run an investment portfolio as well as participating in insurance underwriting. Angerstein's investments will try to match the FT-SE 100 Index. The prospectus does not reveal an indicative gross dividend yield on the shares.

The pathfinder for Masthead Insurance Underwriting does not reveal the maximum number of shares which the company plans to offer. However, it does show the expected initial net asset value per share (96.5p, compared with an issue price of 100p) and the indicative annual gross dividend yield (4.6 per cent).

Masthead's offer is sponsored by Hambros and the group will be advised by Murray Lawrence Members Agency, the fourth largest members' agent at Lloyds. The investment portfolio will be managed by Hambros Bank and will, at first, mainly comprise of sterling fixed interest instruments with an average gross yield of 6.5 per cent.

BSM offer subscribed 1.6 times

Trading starts tomorrow in shares of BSM Group, owner of the British School of Motoring, which floated earlier this month, writes David Blackwell.

Under the offer, 9.92m shares were placed with clients by James Capel.

A similar number of shares were offered through intermediaries, of which 87,540 were accounted for by applications from eligible employees. The remaining 9.83m shares were subscribed 1.6 times, and have been allocated in proportion.

EFG up to £804,000 and sees profit for full year

EFG, the garden leisure and horticultural products company, reported pre-tax profits of £804,000 for the 26 weeks to August 1.

That compared with losses of £1.19m, restated to take account of a £1.22m extraordinary charge being reclassified in accordance with the FRS 3 standard.

However, the company warned that because of the seasonality of its products it was likely to show a loss in the second half, although the year as a whole should be profitable.

The shares rose 2p to 14½p.

Turnover declined to £10m (£13.7m). Net interest payable fell from £281,000 to £148,000.

Earnings per share were 3p, against losses of 7.4p.

Net borrowings at August 1 were £1.28m for gearing of 18 per cent.

Borrowings, which stood at £5.35m at January 31, were reduced by the rights issue, which formed part of the restructuring.

Borrowings have been further cut since the end of the period, by asset sales, which have raised £1.33m.

Automotive Products shows decline to £5.7m

AUTOMOTIVE Products, which serves the car and aircraft industries and is owned by the Guthrie Corporation, a wholly owned subsidiary of BBA, reported pre-tax profits down from £8.7m to £5.7m in the first half of 1993.

Sales from continuing operations rose from £135.7m to £141.1m, generating operating profits of £6.7m (£8.8m).

The interest charge was reduced to £1m (£1.6m). Earnings per share came out at 4.9p (7.3p).

The company said the worldwide recession continued to affect its markets and a cost reduction programme was continuing. This strategy was reflected in redundancy and reorganisation costs of £2.2m (£1.7m), which had been charged against operating profit.

In June, the jury in patent/anti-trust litigation in the US recommended damages against the company totalling $5.69m (£3.76m). The case is proceeding and judgment will be entered in due course. If an award of damages against the company is confirmed, the award is liable, under US law, to be trebled.

The company is confident, however, that following the appropriate appeal processes no material damages will ultimately be payable.

Sharp turnround at Graystone

GRAYSTONE, the engineering components group formerly known as Ptarmigan Holdings, announced a turnround from losses of £736,000 to profits of £200,000 pre-tax for the year to June 30.

Turnover advanced to £9.92m (£3.26m) with some £7.3m coming from acquisitions.

The company made two main purchases during the year – a group of component companies in November 1992 and the Cableform division of FKI in June 1993 – and has been disposing of its original Ptarmigan businesses to concentrate on engineering activities.

Mr Dick Richardson, chairman, said that the recommended £32.8m offer for British Syphon was expected to be declared unconditional on November 15.

The pre-tax result was after a £763,000 provision for losses on operations to be discontinued and increased interest charges of £517,000 (£247,000). However, there was a £935,000 profit on early redemption of loan stock.

Earnings per share came through at 0.57p (5.07p losses). Mr Richardson said dividend payments would be resumed as soon as practicable.

Also, the financial reporting review panel said yesterday that no further action would be taken on the accounts of Ptarmigan Holdings for the year to June 30 1992. It had been considering the company's change in accounting policy for goodwill arising on consolidation.

Targeting the Asian market for marine seals

Andrew Baxter reports on the rationale behind TI's purchase of a majority stake in Dover Japan

TI GROUP'S contested £510m takeover of Dowty last year has inevitably focused City attention on the enlarged engineering group's aerospace ambitions. In a quieter way, though, it is also making waves at sea.

Over the past two years TI's John Crane International seals business has developed a world-leading presence in a range of seals and bearings for hulls and propulsion systems.

Behind the recent formation of John Crane Marine International to handle the marine side of the business lies one of the few purchases by a UK group of a majority stake in a publicly-quoted Japanese company.

The acquisition will help John Crane exploit Asian markets for marine seals. Its Deep Sea Seals business had grown consistently in sales and profits for several years but its mechanical-type seals had been focused mainly on naval markets. These are a higher value product than the "radial lip seals", made of synthetic rubber, used in commercial shipping.

But, says Mr Bob Fisher, chief executive of John Crane, there are probably 80,000 commercial ships afloat, compared with 8,000 naval ships of different types. And to be strong in commercial shipbuilding markets, "we needed to be in Asia – probably 60 per cent of all commercial shipbuilding is in Asia, with Japan first, then Korea, China and Taiwan."

Developing a strong commercial presence from scratch would have taken years. There were only three main producers, Blohm + Voss in Germany, Kobelco – part of Japan's Kobe Steel – and Dover Japan, a company 50.14 per cent owned by Dover Corporation of the US.

As a producer which was independent of steelworks and shipyards, Dover Japan seemed the best bet. But it was a small Japanese company with banks, insurance companies and institutions among its investors, and the acquisition needed careful handling.

In June 1991, however, a deal was concluded, with TI paying Y5.7bn (then £25m) for Dover's stake. It paid a further $34m (£21m) for Dover's complementary US and European marine seals activities.

That year, Mr Fisher joined John Crane after five years living and working in Japan, an experience, he says, which was to prove useful in understanding Dover Japan's mentality.

"There are more vestiges of the past when you buy a small Japanese company. We had to be sensitive to the Japanese ways of doing business, and make the Japanese management comfortable that things would work out," he says.

The acquisition will help John Crane exploit Asian markets. Its Deep Sea Seals business had grown consistently in sales and profits for several years but its mechanical-type seals had been focused mainly on naval markets

Dover Japan was quickly introduced to TI's financial and reporting system. In the UK, finance directors are much more involved in the business and work more as a guide to operating division heads, while their counterparts in Japan concentrate on statutory reports, says Mr Fisher.

"That's a tremendous change, and it took several months to be put in place," he adds.

TI has since increased its stake in Dover Japan to 55 per cent, but it remains publicly quoted. In renaming it Japan Marine Technologies in January, "we wanted to be sure it was clearly recognised as a Japanese company," says Mr Fisher.

At the same time, though, the Japanese company has become an important element in the overall strategy at John Crane Marine International.

The acquisition of manufacturing capability for commercial seals in Asia, along with sales and service capability in the US and western Europe, has given the unit a two-to-one loading in favour of commercial seals.

Tighter environmental and pollution regulations from 1995 will drive market growth in new commercial shipbuilding, Mr Fisher says, while the service and repair business will also play a stronger role.

"Because of pollution penalties, and to preserve their reputations, ship operators will want upgraded products," he says.

By bringing all types of marine seals into one organisation, the unit can offer "one-stop shopping" for ship operators and encourage the shift away from the traditional packed glands. These have been used as a cheaper, but leakier, alternative to mechanical seals in markets where environmental correctness holds less sway.

But naval markets are not being ignored. The Japanese navy is larger than the UK's, says Mr Fisher, but is not among the 51 navies using John Crane seals. Owning a Japanese company could help it gain access, although it will take a while, he says.

There is also a big opportunity to supply both commercial and naval fleets in eastern Europe. Until recently, he says, it was very difficult to understand who was making and supplying their seals.

TI does not publish profits for the marine seals division, but Mr Fisher says the acquisitions and reorganisation have added to the group's profits.

The Japanese deal has had other effects too. TI has wanted for years to increase its Asian presence – Asia and Latin America collectively account for about 10 per cent of group turnover.

John Crane itself has had a Japanese joint venture for 25 years, but the purchase of JMT has helped focus the group's attention on the region, says Mr Fisher.

"At chairman's policy committee, and at strategy and board meetings, there is much more of an emphasis on Asia than there had been before," he says. "That is an important change for all of TI."

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, October 25, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2289.50	1540.71	920.402	1418.84
Albania	(Lek)	163.515	110.037	65.7346	101.405
Algeria	(Dinar)	34.3825	23.0637	13.7859	21.2728
Andorra	(Fr Fr)	8.6825	5.8428	3.4904	5.3844
	(Sp Peseta)	199.00	133.917	80	123.411
Angola	(New Kwanza)	9940.00	6689.1	3995.98	6164.34
Antigua	(E Carr $)	4.0135	2.7008	1.6134	2.4889
Argentina	(Peso)	1.4880	1.0013	0.5981	0.9227
Aruba	(Florin)	2.6610	1.7907	1.0697	1.6502
Australia	(Aus $)	2.22525	1.4974	0.8945	1.3799
Austria	(Schilling)	17.475	11.7597	7.0251	10.8372
Azores	(Port Escudo)	256.70	172.746	103.196	159.194
Bahamas	(Bahama $)	1.4860	1	0.5973	0.9215
Bahrain	(Dinar)	0.5603(1)	0.377	0.2252	0.3474
Balearic Is	(Sp Peseta)	199.00	133.917	80	123.411
Bangladesh	(Taka)	58.05	39.0646	23.3365	36
Barbados	(Barb $)	2.9898	2.0119	1.2019	1.8541
Belgium	(Belg Fr)	53.95	36.3065	21.6884	33.4573
Belize	(B $)	2.9730	2.0006	1.1951	1.8437
Benin	(CFA Fr)	434.125	292.143	174.523	269.225
Bermuda	(Bermudian $)	1.4860	1	0.5973	0.9215
Bhutan	(Ngultrum)	46.6316	31.3805	18.7463	28.9187
Bolivia	(Boliviano)	6.5085	4.3765	2.6144	4.0331
Botswana	(Pula)	3.7632(2)	2.5334	1.5128	2.3337
Brazil	(Cruzeiro Real)	243.7425	164.026	97.9869	151.158
Brunei	(Brunei $)	2.33875	1.5738	0.9401	1.4503
Bulgaria	(Lev)	39.60	26.6467	15.9195	24.5581
Burkina Faso	(CFA Fr)	434.125	292.143	174.523	269.225
[illegible]					
Ecuador	(Sucre)	2698.00o	1815.61	1084.62	1673.18
		2888.25s	1943.64	1161.11	1791.18
Egypt	(Egyptian £)	4.9800	3.3378	1.9939	3.0759
El Salvador	(Colon)	12.940	8.7079	5.202	8.0248
Equat'l Guinea	(CFA Fr)	434.125	292.143	174.523	269.225
Estonia	(Kroon)	19.7025	13.2587	7.9206	12.2186
Ethiopia	(Ethiopian Birr)	7.3285	4.9316	2.9461	4.5448
Falkland Is	(Falk £)	1.00	0.6729	0.402	0.6201
Faroe Is	(Danish Krone)	10.0050	6.7328	4.0221	6.2046
Fiji Is	(Fiji $)	2.2840	1.537	0.9181	1.4164
Finland	(Markka)	8.6515	5.8547	3.4377	5.3032
France	(Fr)	8.6825	5.8428	3.4904	5.3844
Fr. Cty/Africa	(CFA Fr)	434.125	292.143	174.523	269.225
Fr. Guiana	(Local Fr)	8.6825	5.8428	3.4904	5.3844
Fr. Pacific Is	(CFP Fr)	158.50	106.316	62.8145	97.0542
Gabon	(CFA Fr)	434.125	292.143	174.523	269.225
[illegible]					
Monaco	(French Fr)	8.6825	5.8428	3.4904	5.3844
Mongolia	(Tugrik)	594.60	400.135	239.035	368.744
Montserrat	(E Carr $)	4.0135	2.7008	1.6134	2.4889
Morocco	(Dirham)	14.0310	9.4421	5.6406	8.7013
Mozambique	(Metical)	7342.80	4941.32	2951.86	4553.67
Namibia	(S A Rand)	5.0065	3.3691	2.0126	3.1048
Nauru Is	(Australian $)	2.22525	1.4974	0.8945	1.3799
Nepal	(Nepalese Rupee)	68.9395	46.3926	27.7143	42.7531
Netherlands	(Guilder)	2.7925	1.8792	1.1226	1.7317
N'nd Antilles	(A/Guilder)	2.6610	1.7907	1.0697	1.6502
New Zealand	(NZ $)	2.87725	1.8016	1.0762	[illegible]
Nicaragua	(Gold Cordoba)	9.2640	6.2341	3.7242	5.7451
Niger Rep	(CFA Fr)	434.125	292.143	174.523	269.225
Nigeria	(Naira)	32.3760o	21.7873	13.0154	20.0781
		47.5660s	32.0107	19.1228	29.4985
Norway	(Nor. Krone)	10.8250	7.2848	4.3517	6.7131
Oman	(Rial Omani)	0.5725	0.3852	0.2301	0.355
[illegible]					
United Kingdom	(£)	1.00	0.6729	0.402	0.6201
United States	(US $)	1.4860	1	0.5973	0.9215
Uruguay	(Peso Uruguayo)	6.34	4.2664	2.5487	3.9317
Vanuatu	(Vatu)	182.90	123.082	73.5276	113.428
Vatican	(Lira)	2391.75	1609.52	961.508	1483.26
Venezuela	(Bolivar)	148.70	100.067	59.7786	92.217
Vietnam	(Dong)	15987.30	10758.6	6427.06	9914.8
Virgin Is-British	(US $)	1.4860	1	0.5973	0.9215
Virgin Is-US	(US $)	1.4860	1	0.5973	0.9215
Western Samoa	(Tala)	3.8220	2.572	1.5364	2.3702
Yemen (Rep of)	(Rial)	24.9275	16.8067	9.8603	15.2108
Yemen (Rep of)	(Dinar)	0.6850	0.4608	0.2753	0.4248
Yugoslavia	(New Dinar)	1010.50	680	406.352	626.853
Zaire Rep	(Zaire)	13519250.0	9095727	5433658	8382171
Zambia	(Kwacha)	522.66	351.718	210.111	324.124
Zimbabwe	($)	9.7885	6.5871	3.935	6.0703

Special Drawing Rights October 22, 1993 United Kingdom £0.941221 United States $1.39423 Germany D Mark 2.32468 Japan Yen150.995
European Currency Unit Rates October 25, 1993 United Kingdom £0.769550 United States $1.14409 Germany D Mark 1.91325 Japan Yen124.395

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; § CIS applies to states in the Rouble Zone. Corrected rates for 18/10/93 (1) Bahrain £-0.5651 $-0.3772 DM-0.2318 Y-0.3599 (2) Botswana £-3.7695 $-2.5163 DM-1.5484 Y-2.3413.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday, October 25, 1993

COMPANY NEWS: UK

US group to take controlling stake in enlarged £200m company

Flextech in talks with TCI

By Maggie Urry

FLEXTECH, the cable and satellite television group, is in talks to buy the European programming business of Tele-Communications, continuing the current scramble to buy broadcasting assets.

TCI, the US broadcasting group, is in turn in merger discussions with Bell Atlantic.

The Flextech deal, expected to be tied up by Christmas, will more than double its size, and give TCI a controlling stake in the enlarged company.

Flextech's shares jumped 49p to 224p yesterday.

The deal is expected to put a value of about £100m on the assets being acquired and so give Flextech a market value of about £200m, compared with £77m at yesterday's close.

Talks are still at an early stage, and yesterday's announcement was prompted by the rise in Flextech's share price in recent days.

Mr Roger Luard, chief executive of Flextech, said the purchase would help it to achieve "critical mass in programming terms in the UK".

He said the combined company would then develop further, and intended to maintain its quote to enable it to do so.

Flextech will issue shares to TCI for the acquisition of United Artists European Holdings, TCI's European programming business.

These shares would give TCI a stake in Flextech of probably between 50 and 60 per cent. TCI is expected to take the shares at a premium to the market price reflecting its gaining control.

It is planned to get a dispensation from the Takeover Panel so that a full offer for Flextech would not be necessary. Shareholder approval would be required.

Flextech has a controlling 50.1 per cent interest in The Children's Channel, through a joint venture with TCI formed last year. It also has a 39 per cent interest in the Family Channel, launched in the UK this summer.

The deal will increase Flextech's stake in TCC to 75 per cent, and give it 100 per cent of Bravo, a "time warp" channel broadcasting cult TV series and old films, plus a 24 per cent stake in UK Gold, which shows old BBC and ITV entertainment programmes and 35 per cent of UK Living, a channel of soaps and quiz shows.

Mr Luard said that Flextech, which trades on the USM, was the only quoted company in the UK to focus on cable and satellite broadcasting. It had developed from a small oil services group – the oil activities were sold in 1992 – but still needed a strategic partner to develop rapidly.

Flextech is likely to move its shares to the Official List as part of the deal, and may seek a listing in the US as well.

Courtaulds Textiles in DM34.2m buy

By Paul Taylor

COURTAULDS TEXTILES has agreed to acquire the broad stretch fabric manufacturing operations of Gold-Zack Werke in Murg, Germany and Manila in the Philippines for an expected total of DM34.2m (£13.9m) cash.

The businesses being acquired sell primarily to the international lingerie market and their purchase will strengthen and geographically expand Courtaulds Textiles' position in this market, particularly in the Far East.

Under the terms of the deal, which is subject to various conditions including regulatory approval, Courtaulds Textiles will acquire selected trading assets in Germany and the entire share capital of Gold-Zack Philippines.

Some DM17m of assets, net of a small amount of local debt in the Philippines, are being acquired.

The combined businesses generated DM5.1m of operating profits last year on sales of DM65m.

Mr Noel Jervis, managing director, said: "This acquisition will enhance our established position in the German stretch fabric market and will provide an additional base from which to supply the large and rapidly growing market in the Far East.

"Our customers, which include the world's leading lingerie manufacturers, are spreading their businesses internationally and we are correspondingly developing our business so that we can meet their requirements on a local basis through our global network."

Courtaulds Textiles' existing stretch fabric businesses in Europe include Penn Nyla and Courtaulds Jersey in the UK, Penn Elastic in Germany, Penn Italia, Penn France and Penn Sedespa in Spain.

In Asia the group's stretch fabric interests include the Penn Asia joint venture in Thailand.

NEWS IN BRIEF

ADWEST: of the new shares offered recently via a rights issue acceptances have been received in respect of 15.2m shares (92.73 per cent).

HALL ENGINEERING has received elections for its enhanced scrip dividend alternative in respect of 28.55m shares, some 97.4 per cent of its issued capital. Kleinwort Benson Securities has received acceptances of its cash offer in respect of 9.57m shares, some 33.5 per cent of elections under the enhanced scrip dividend alternative.

NORTH BRITISH Distillery Company: the offer by Lothian Distilleries has become unconditional as to acceptances and will remain open until further notice. Acceptances have been received in respect 5.13m shares (92.14 per cent). Lothian is a joint company owned by IDV, GrandMet's drinks division, and Robertson & Baxter, a private Scottish company.

WHESSOE has received regulatory approval of its ownership of Autronica from the Norwegian government on satisfactory terms. Whessoe currently owns more than 99 per cent of Autronica's share capital. Since Whessoe acquired the shares, Autronica has been trading in accordance with its expectations.

ST MODWEN Properties has bought a shopping centre in Catford, south-east London, for £5m and sold a retail warehouse in Weymouth. The net effect will be to increase annual rental share income by £400,000 to more than £9.3m.

SARA LEE: the sale of the Cherry Blossom shoe polish brand to Grangers International has been approved by the Office of Fair Trading. The acquisition by Grangers does not fall within the merger control provisions of the Fair Trading Act.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Betterware, Bradford Property Trust, Bridgend, GBE Intl, Glenchewton, Hewtal Whiting, Le Causet.

Finals- Data General, Govett Strategic Inv, Pressac, Sunset & Vine.

FUTURE DATES

Interims-	
BDA	Nov 2
Cater Allen	Nov 25
Celsis Intl	Nov 2
Chamberlin & Hill	Nov 10
Dawson Intl	Nov 30
German Smaller Inv Tst	Nov 3
Gieves	Oct 29
London Electricity	Dec 13
Moorgate Inv Tst	Dec 9
Moorgate Smaller Cos	Dec 8
Rexmore	Nov 2
600 Group	Nov 18
Sainsbury (J)	Nov 3
Vodafone	Nov 23
Finals-	
Foreign & Col PEP	Nov 1
Gartmore European	Nov 5
Honeysuckle	Oct 28
Manganese Bronze	Oct 27
Titon	Dec 8
VTR	Nov 16

Royal Bank in $144m purchase

By John Gapper, Banking Editor

THE ROYAL Bank of Scotland said yesterday that it had reached agreement to buy a small Boston-based savings bank to add to its Citizens Financial Group US subsidiary.

The bank, which has set a target for Citizen to contribute at least 10 per cent of earnings, said it had agreed to buy Neworld Bancorp for $144.3m (£95.4m). The deal will add a further $1.1bn to Citizens' assets of $7bn.

The deal is the fifth acquisition by Citizens since the end of 1990, including the acquisition last month of Boston Five Bancorp. It will be financed by Royal Bank injecting $75m of cash into Citizens in return for common stock.

Neworld, which has 22 branches, converted from a mutually owned savings bank in 1982. Its branches are concentrated around Boston, and on Cape Cod, the Massachusetts peninsula with a high number of affluent residents.

Mr Larry Fish, chairman of Citizens, said Neworld was "a wonderful, perfect fit" with Citizens' New England network, which it has been trying to extend from its original base in Providence, Rhode Island.

Citizens is to pay $35 a share, or 1.6 times the book value of Neworld. However, Mr Fish said this was a lower multiple than Fleet Financial agreed to pay last month to acquire Sterling Bancshares of Massachusetts.

Mr Fish said Neworld fitted with Citizens' attempt only to acquire banks with high asset quality. He said that its total non-performing assets were £14m, and these were nearly two times covered by provisions of £27m in its reserves.

Mr George Mathewson, Royal Bank's chief executive, said the bank had "plenty of cash" to finance the acquisition. He said Citizens would be able to improve Neworld's earnings through cutting overlap between processing operations.

Simon agrees extension of its banking facilities

By David Blackwell

SIMON ENGINEERING, the maker of access equipment including fire rescue gear, has negotiated in principle an extension of its banking facilities to the end of next year.

Mr Maurice Dixson, who became chief executive as the group announced a first-half pre-tax loss of £52.6m at the beginning of September, yesterday described the proposed extension as "a milestone."

It would give the management time to take the necessary actions for a return to profitability, he said.

Under the proposals, which have been submitted to lenders for approval, Simon would receive bonding facilities to allow it to compete for new business in key areas – including the sale of fire rescue equipment in North America.

The group would grant security to the small number of mainly UK banks with which it has £60m of medium term finance, and to North American holders of $125m (£83m) of unsecured loan notes.

Both the banks and the noteholders would waive Simon's breach of banking covenants earlier this year.

The group is committed to reducing its net debt substantially by the end of 1994.

Mr Dixson, on taking up the reins of the group, identified the reduction of net debt from £143m to less than £100m as his most urgent task. "I have set a target below £100m as a matter of priority," he said yesterday. "I don't need anyone to drive me to do that – it's a commercial imperative."

The simplest way to reduce the debt was to make the company more profitable. Mr Dixson said a lot of his attention had been directed at the access equipment business, where he planned to sort out the working capital and boost margins.

In addition, there would have to be further sales both of businesses and property assets. While Mr Dixson said he had now identified the core businesses which would provide a future for Simon, he would not be drawn on details.

The main part of the debt reduction programme is expected to fall in next year's second half.

The first half loss was struck on turnover of £190.8m, and compared with a previous profit of £6.16m on turnover of £242.3m.

The deficit marked the culmination of more than two years of bad news for the group, which has suffered from an ill-fated diversification into environmental engineering, loss-making plant contracts, the recession and rising debts. At the end of June gearing was 195 per cent.

Legal settlement boosts Olives Property to £0.7m

BOOSTED by an £813,000 exceptional item representing settlement of a legal dispute, pre-tax profits of Olives Property improved from £141,583 to £720,392 in the six months to end-June.

Turnover, including the exceptional profit, increased from £1.89m to £2.15m. Comparatives were restated to comply with FRS 3.

Following a £2.55m net open offer and placing, the property developer installed a new management team in mid-June.

As part of the transition the company's two residential sites were sold for £1.1m.

Mr Anthony Grant, chairman, said UK property returns remained higher than borrowing rates, and Olives was exploring opportunities for investment to establish a secure income and capital base for the future.

Interest payable fell to £122,682 (£196,862). Olives had zero gearing at the period end and net assets stood at £5.5m.

Earnings per share improved to 4.74p (1.36p); there is, however, no interim dividend against 1.5p last time.

CentreGold share sale completed

By Paul Taylor

THE PLACING and intermediaries offer for CentreGold, the Birmingham-based publisher and distributor of video games and computer entertainment software, has been completed.

Under the placing 12m shares priced at 125p each were placed with clients by Smith New Court, the group's brokers.

In addition applications for a further 247,600 shares were received from employees and directors of CentreGold which have been satisfied in full.

The remaining 8.35m shares were subscribed 14.45 times and have been allocated in proportion to their applications with intermediaries being allocated about 6.92 per cent of the number of shares which they applied for.

Trading in the shares is expected to begin on Thursday.

Macdonald buys Crabbie's

By Philip Rawstorne

MACDONALD Martin Distilleries, the producer of Glenmorangie malt whisky, has bought Crabbie's Old Scottish Green Ginger Wine from United Distillers, the Guinness spirits division.

The acquisition, for an undisclosed price, includes trade marks, stocks of maturing and cased wine, and a bottling line. It will be funded from existing bank borrowings.

Macdonald said Crabbie's would not make a material contribution to profit in the early years but, with marketing support and increased volumes, was expected to generate "worthwhile" longer-term earnings.

Crabbie's is the leading brand in Scotland and number two in the UK to Stone's.

NEWS DIGEST

Expansion for Court Cavendish

COURT CAVENDISH Group, the care home operator, has acquired a privately owned 32-bed nursing home for £950,000 in cash.

The Kent-based home, Loring Hall Nursing Home, made operating profits of £203,000 in 1992. The average fee rate is in excess of £400 a week.

Court Cavendish is also in the final stages of negotiations with Gainsborough Homes which, if successful, will lead to a recommended £2.1m offer being made for all the issued share capital.

The two acquisitions will bring the number of beds operated by Court Cavendish to 1,428.

Whitecroft sells office development

Whitecroft, the building products, lighting and textiles company, has sold its 25,250 sq ft Eldon Square, Reading, office development, which is jointly owned by a financial institution.

The property has been sold for £4.8m cash. After repayment of loans outstanding on the development, Whitecroft has received £950,000 cash. The company's share of the property was valued at £819,000 in the group balance sheet at March 31 1993.

The proceeds will be used to reduce borrowings.

Strand to hold 33% of Quiligotti

Strand Associates, the private investment company, will hold 111.3m shares or 33.06 per cent in Quiligotti, the Stockport-based terrazzo tile and industrial flooring company, after the completion of its proposed placing and open offer.

Subscribers have been found for a further 108.8m shares. These had been conditionally placed with Strand subject to a 3-for-2 open offer to shareholders. The balance of the 252m new shares to be issued under the offer will be held by Raffles Investments.

The offer is part of a restructuring after losses for the year to March 31 left the company in breach of banking covenants. The proposals include the acquisition of Chelsea Artisans and Microfloor.

Approaches for Porter division

Porter Chadburn, the packaging, consumer products and specialist distribution group, said it had received "one or two approaches" for its consumer division businesses.

However, Mr Raymond Dinkin, chief executive, said that weekend press reports suggesting the company was about to unveil a rescue package involving the sell-off of its British interests were "pretty speculative".

Porter Chadburn reported pre-tax losses of £3.62m for the year to April 2 and last month warned that profits for the half year to September would, on a like-for-like basis, be "well down on last year".

The shares, which have fallen from a high of 42p this year, were unchanged at 20p.

Wembley raises £9m through disposals

Wembley, the owner of the north London stadium complex, has sold its equity interests in National Leisure Catering, the contract catering services company, and the business of Yankee Doodle, an outdoor catering company, to NLC management for an aggregate £6.7m cash.

Wembley also announced the sale of its stake in Needles Hotel, Isle of Wight, to Flagstone Holdings for £2.6m cash.

J Saville Gordon sells Dudley Iron

J Saville Gordon, the Birmingham-based property investment and dealing company is selling the business and certain assets of Dudley Iron & Steel Company, a steel stockholding subsidiary, to Barrett Steel, for about £1.35m cash.

J Saville Gordon retains the freehold of the premises and has granted leases to Barrett.

The assets being sold are plant, vehicles and office equipment together with stock at valuation on the completion date, expected to be October 29. Some £400,000 of the consideration is payable in January 1994 and £400,000 in April 1994, with the balance due on completion.

Scotia shares rise 26p on first day

Shares in Scotia Holdings, the research-based pharmaceutical company which grew through sales of products based on evening primrose oil, yesterday ended their first day of trading at a premium of 26p to the 290p placing price.

The shares opened at 323p before slipping to close at 316p.

At this price, the company is worth just short of £200m, making it the market's largest emerging pharmaceuticals company trading in London.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
BET ....int	1	Jan 4	2	-	3.25
Blacks Leisure ....int	0.75	Feb 4	0.75	-	2.25
Darby § ....int	0.5	Jan 24	nil	-	nil
Moss Bros ....int	1.5	Dec 3	1.5	-	5.5
Olives Property ....int	nil	-	1.5	-	1.5

Dividends shown pence per share net except where otherwise stated. §USM stock.

Tin hopes boosted as China comes into fold

By Kenneth Gooding, Mining Correspondent

CHINA, THE world's biggest tin producer, is joining the Association of Tin Producing Countries and analysts suggested yesterday that this should improve the ATPC's chances of curbing supply and raising prices.

"This must be good for those who want tin prices to go up. China coming into the fold will help the ATPC exert more restraint on supply," said Mr Neil Buxton, analyst at Metal Bulletin Research.

He suggested that China was mainly responsible for this year's rise in world tin stocks to about 40,000 tonnes, 13 or 14 weeks supply. Available statistics suggest that China lifted annual exports from about 10,000 tonnes at the begining of the 1990s to between 30,000 and 35,000 tonnes – roughly 20 per cent of the 175,000 tonnes consumed each year in the western world.

Western tin producers had cut output much more than other base metals companies, by about 30 per cent over the past two years, Mr Buxton pointed out. "These cuts were completely offset by exports from China and, to a lesser extent, from other, smaller, far east Asian countries such as Vietnam and Laos."

Although China had informally agreed export restrictions with the ATPC, this obviously had not worked well, Mr Buxton pointed out. China's full membership of the ATPC would put more pressure on it to keep its promises.

The news about China from a two-day ATPC meeting this week in Kuala Lumpur did not stop tin prices falling sharply again yesterday, a reaction to the recent, equally sharp, rise. The spectre of increasing stocks drove down the tin price to a 20-year low of $4,350 a tonne early in September but it then bounced back to touch $5,053 last Thursday amid suggestions that it was being manipulated upwards in the Kuala Lumpur market by merchants and producers.

Tin for delivery in three months fell another $207.50 to close at $4,797.50 last night. Ms Karen Norton, analyst at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group, said recent higher tin prices were not fundamentally justified. "And our technical analyst says tin was overbought and due for a sharp [downward] correction." Ms Norton believed China's decision to join the ATPC was "a positive move in the longer term".

China set conditions before it agreed to join. It wanted to be exempted from providing monthly tin market statistics on the grounds that there are no sources from which it could obtain the data. It also insisted that its membership payment be based on exports, not production as is the case for other countries, as its domestic market consumed a great deal of its output.

Other members of the ATPC are Australia, Bolivia, Indonesia, Malaysia, Nigeria, Thailand and Zaire. Brazil, the second-largest producer, has indicated it may join next year.

The ATPC wanted 1993 exports restricted to 89,400 tonnes compared with 87,091 in 1992 in the belief that this would cut world stocks from about 39,000 tonnes to 20,000 tonnes by the end of this year. Failure to meet these targets has split opinion within the ATPC about whether the so-called supply rationalisation scheme should be continued and even whether the organisation should be disbanded.

Chips are down for UK potato monopoly

The marketing board's stay of execution could yet turn into a permanent reprieve

FARMER'S VIEWPOINT

By David Richardson

HAD MR John Gummer still been Minister of Agriculture, you might, by now, have read about the UK Potato Marketing Board in the obituary columns. Like its milk marketing counterpart, the PMB enjoys monopoly status and this, together with its statutory powers to control the area of potatoes planted, fail to match the co-operative and competitive pattern for the marketing of farm commodities set by the EC Commission in Brussels.

Brussels-based bureaucrats have been gunning for all such UK institutions since Britain joined the community in 1973. Since then the marketing boards for eggs, hops and wool have been wound up. Those for milk and potatoes were bigger, stronger and had more staying power. But in recent years EC administrators once again increased the pressure for something to be done about them; and in Mr Gummer they found an ally.

He initiated winding up procedures for both the milk and potato boards. That for milk has already gone beyond the point of no return and April 1 1994 is the target date for completion of the process. But although it had long been assumed that the PMB would follow the MMBs into oblivion, the appointment in May of Mrs Gillian Shephard as minister of agriculture led to a stay of execution.

As a farmer's daughter Mrs Shephard no doubt absorbed the stabilising advantages of the PMB for both farmers and consumers during her Norfolk childhood. Indeed one of her first actions when she arrived at the Ministry of Agriculture was to announce a delay in the winding up of the potato board and a review of the entire marketing scheme.

In essence she challenged all sectors of the potato industry – growers, processors and retailers – to get together and come up with an acceptable alternative scheme. By implication it would need to retain the important feature of promoting price stability while at the same time satisfying the demands of the EC and the UK government in their ambitions to expose the potato industry to the rigours of the market place.

Last week the minister received the response of the potato industry. For the first time ever growers, merchants, processors and retailers came up with a joint agreed proposal. That in itself is remarkable because in the past they have been poles apart. Growers, as represented by the NFU and the farmer members of the PMB, have called for the continuation of statutory control while the trade has consistently insisted on a totally free market.

This new plan, which the Mrs Shephard is now considering, contains several key points. The first and most crucial is that statutory area control be partially relaxed. It proposes that the national quota area of potatoes should be set annually, as at present, by the joint consultative council, a subcommittee of the PMB containing a majority of users and consumers. But rather than setting a strictly controlled area for each farm, which must at present be observed if a grower is to avoid a fine for over-planting or risk losing some entitlement to grow potatoes if he under-plants, the plan proposes 5 per cent flexibility either way.

The concept is based on experience in other potato growing countries where there are no statutory area controls. A study of fluctuations in acreage following profitable and unprofitable potato years in such countries has revealed that there is seldom more than 10 per cent difference in the area grown. It is therefore argued that 5 per cent either side of a target area would allow the potato market to operate while at the same time avoiding vast surpluses or shortages.

Meanwhile the machinery of quotas would be maintained in case, in a few years' time, the EC were to decide that as for milk, sheep and sugar beet, Community quotas for potatoes were also necessary.

Another fundamental aspect to the joint proposals is that producer funded intervention in the potato market be discontinued. In the past the PMB has had the right and the duty to buy surplus potatoes in years of oversupply and sell them at a considerable loss for feeding to livestock.

The cash to fund this expensive operation has come, in recent years, from grower levies of some £85 a hectare. In the distant past the government also made a contribution. The new proposal suggests that, as with area quotas, the intervention legislation remains in place but that for the foreseeable future it is not used. This in turn would allow the area levy paid by growers to be halved with most of the reduced revenue being used for uncontroversial but important matters such as market promotion and technical research. The new levy would correspond closely with similar schemes in other EC countries and amount to about £1 for each tonne of potatoes grown.

It is also proposed that the size of the board to run the new scheme should be drastically reduced. At present the PMB consists of 22 members. A few years ago there were 33. It is now proposed that the number be cut to a more workable eight. Surprisingly perhaps, this may be more difficult for some growers to swallow than the more fundamental proposals.

For many farmers are wedded to the illusion of regional representation, even though the statutory duty of board members is to run the present marketing scheme efficiently. Representation is, and always has been, the job of the National Farmers' Union.

Even so the fact that the plan is agreed by all parties involved should give it a head start. And the modest amount of production and price stability it should provide may help to maintain UK potato consumption at the top of the EC league.

Advocates of the present board's activities have always claimed that this consumption record is directly related to the relatively stable prices paid for potatoes by UK consumers for many years. It is argued that price volatility cuts consumption, even in countries, like Holland, where potatoes are an even more important crop.

The authors of the new plan are convinced that it will prove acceptable to Brussels; that the administrators there will recognise that it would lead to a less intrusive scheme than that currently operated by the PMB and that they may even sanction the adoption of something similar in other EC countries where volatility in potato markets is the rule rather than the exception.

Given Mrs Shephard's recent pronouncements on the need to develop markets and to make it more attractive for UK consumers to buy more UK produced food, together with her encouragement for farmers to collaborate more with processors and retailers, there would appear to be no logical reason for her not to accept the proposals. It is rumoured that she will do just that very soon.

Australian miners have second thoughts on land legislation

By Nikki Tait in Sydney

THE AUSTRALIAN mining industry, which last week expressed qualified backing for the federal government's "Mabo" Aboriginal land rights legislation, yesterday sounded a less optimistic note, saying that the package could discourage investment and might fail to validate all previous land titles as the commonwealth had promised.

Mr Geoff Ewing, the Australian Mining Industry Council's assistant director, said yesterday it was "not apparent from the details so far available that all past titles will be fully secured, and therefore not affected by native title as the prime minister stated".

"The proposals for the approval of future grants still leave open the possibility of both the commonwealth and states each being involved in the process, and the time limits for completion of the process have been significantly extended," he added.

"It also appears at this stage that consideration of native title, which could take as long as 20 months, will have to precede other approval processes which themselves take a considerable time."

The draft legislation has yet to be unveiled and all commentators are at present basing opinions on the public statements made by Mr Paul Keating, the prime minister, and other government officials. Last week, it appeared that Mr Keating had scored a political triumph by hammering out a land rights package that had at least qualified support from most interested parties.

The need for legislation has been pressing in the wake of a high court decision last year that did away with the notion that Australia was uninhabited before European settlement. It said that native title claims could succeed where there had been close and continuing association with the land in question.

US gives assurance on barley subsidy

By Nikki Tait

US OFFICIALS have assured Mr Don Russell, Australia's ambassador to the US, that they will act consistently with President Bill Clinton's undertaking to protect Australia from any negative effects of the Export Enhancement Programme.

Last week, Australia protested that the US had allocated 100,000 tonnes of subsidised malting barley to China under the EEP for 1993-94. China, which was not previously included in EEP barley allocations, represents the most important malting barley export market for Australian growers.

Mr Tony Lake, President Clinton's national security adviser, told Mr Russell that the US recognised that China was a sensitive and major market for Australian exports of malting barley. However, he also pointed to unfair EC marketing in China, an Australian Embassy statement issued in Washington said.

E German energy investment programme under gas cloud

By Judy Dempsey in Schwarze Pumpe, Brandenburg

THE FIRST phase of a massive investment programme in eastern Germany's brown coal-based energy sector began yesterday amid growing concerns that more cities in the region will switch to gas.

Vereinigte Energiewerke, or Veag, eastern Germany's major utility company, started construction of a DM5bn (£2bn) power generating block at Schwarze Pumpe in the eastern state of Brandenburg, which will be fuelled by brown coal. The plant, which will have a capacity of 800MW, is part of a long-term investment programme totalling DM46bn and spread over ten years.

The investment programme by Veag, which is due to be sold by the Treuhand privatisation agency, to western Germany's eight utility companies, is aimed at constructing, modernising and upgrading eastern Germany's electricity sector which, when completed, will have a capacity of 12,400MW.

The implementation of this ambitious plan is part of the federal government's commitment to save the brown coal industry, which before unification employed over 120,000 people and accounted for 90 per cent of eastern Germany's energy consumption.

Consumption of brown coal has since fallen below 50 per cent because of the collapse of the region's manufacturing base, and the workforce has been reduced to 35,000.

Both Veag and Laubag, eastern Germany's largest brown coal producer, which is the main supplier to Veag, estimates that the region must consume 55m tonnes of coal a year to secure the economic viability of both companies.

However, several cities, most notably Potsdam, the state capital of Brandenburg, earlier this month voted to switch from brown coal to gas. Veag officials yesterday said they were concerned that this would set a precedent for other cities, including neighbouring Cottbus, and Görlitz, in Saxony, which are also considering a switch to gas.

Potsdam's decision means a loss of 1m tonnes of brown coal. If this trend continues, Veag may decide not to build a new 800MW power plant at Boxberg, in Saxony. This would rob Laubag of a further 10m tonnes. And unless there was a sharp rise in the eastern German industrial sector the viability of Veag and Laubag could be undermined.

Oil traders interviewed

THE OFFICE of Fair Trading yesterday revealed that officers from the US Department of Justice had been interviewing traders with London-based oil companies, Reuter reports.

Market reports said several companies were being interviewed by US investigators after some traders in August 1992 cut brokers' commissions.

An OFT official confirmed that it sat in as an observer at talks last week in London between the Justice Department and some trading companies, although no British investigation was under way. The office is the UK authority to investigate allegations of anti-competitive behaviour.

The official would not name the companies involved or what issues were raised by the Justice Department.

Trade sources said that some companies last year informed oil brokers in Britain, the US and Singapore that commission paid to them on account of crude oil trading would be cut by 30 per cent.

Commissions were cut from 0.5 cents a barrel to 0.35 cents on trade in the North Sea Brent forward or 15-day paper market. Brokers at the time said they felt that they had no option than to agree to lower commission rates.

At least one brokerage company might be seeking financial compensation, brokers said. One broker, who refused to be identified, said any compensation could run to millions of dollars.

● Crude oil prices fell yesterday, extending a sell-off that began late last week against a background of concern about weak world demand.

December futures for the benchmark Brent Blend sank to $16.57 per barrel during London's afternoon trading session, down from a close last Friday of $16.85.

Prices, which fell 20 per cent earlier in the year, had until late last week seemed more stable.

WORLD COMMODITIES PRICES

MARKET REPORT

The **GOLD** price bounced back above the $370-a-troy-ounce mark at the London bullion market yesterday following the sharp fall at the end of last week. As the price moved up $3.75 to $371.75 an ounce dealers said most of the interest came from professionals who had been caught short by the late bounce on Friday evening at the New York Commodity Exchange (Comex). Some encouragement was also taken from the market holding above $365 throughout last week. **SILVER** prices were only marginally higher but **PLATINUM** gained $4.60 to $376.35 an ounce in light trading. Buying of the white metal had been noted towards the close at the Tokyo Commodity Exchange. "The fundamentals haven't changed but the market and the charts are both positive," one London dealer commented. At the London Commodity Exchange **COFFEE** futures ended in the middle of the day's range after being trimmed back by technical selling in New York. **COCOA** prices ended closer to the highs, but dealers said conditions were dull, with total turnover amounting to only 2,117 lots (10 tonnes each).

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Dec)		+ or -
Dubai	$14.34-4.44	-0.460
Brent Blend (dated)	$16.01-6.03	-0.490
Brent Blend (Dec)	$16.43-6.45	-0.460
W.T.I (1 pm est)	$17.59-7.62u	-0.535
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$188-189	-3.5
Gas Oil	$168-169	-6.5
Heavy Fuel Oil	$61-63	
Naphtha	$157-160	-2.5
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$371.75	+3.75
Silver (per troy oz)♣	445.5c	+1.0
Platinum (per troy oz)	$376.35	+4.6
Palladium (per troy oz)	$131.10	+1.1
Copper (US Producer)	84.5c	
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	12.43m	-0.28
Tin (New York)	229.0c	+1.0
Zinc (US Prime Western)	Unq	
Cattle (live weight)†	121.20p	+3.31*
Sheep (live weight)†♠	80.43p	-0.94*
Pigs (live weight)†	67.14p	+2.15*
London daily sugar (raw)	$266.3	+4.5
London daily sugar (white)	$295.0	+4.0
Tate and Lyle export price	£290.5	+2.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£120.0	
Wheat (US Dark Northern)	£166.5	
Rubber (Nov)♥	61.25p	+0.25
Rubber (Dec)♥	61.50p	+0.25
Rubber (KL RSS No 1 Jul)	205.0m	-0.5
Coconut oil (Philippines)§	$437.5v	
Palm Oil (Malaysian)§	$337.5u	+2.5
Copra (Philippines)§	$285.0	
Soyabeans (US)	£186.0w	-1.0
Cotton "A" index	54.40c	
Wooltops (64s Super)	337p	+3

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb r-ringgit/kg. z-Nov v-Jan/Feb u-Dec t-Sep/Oct w-Nov/Dec ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg ♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

CRUDE OIL - IPE ($/barrel)

	Latest	Previous	High/Low	
Dec	16.40	16.85	16.86	16.37
Jan	16.61	17.05	17.05	16.59
Feb	16.75	17.20	17.19	16.75
Mar	16.88	17.27	17.27	16.88
Apr	17.02	17.34	17.35	17.02
Jun	17.30	17.47	17.36	17.30
Jul	17.39		17.39	17.39
Aug	17.43	17.69	17.55	17.42
IPE Index	16.86	17.18		

Turnover 28463 (33136)

GAS OIL - IPE ($/tonne)

	Close	Previous	High/Low	
Nov	165.00	169.75	169.75	165.00
Dec	165.00	169.50	169.50	165.00
Jan	165.00	169.25	169.00	164.75
Feb	164.50	168.25	168.00	164.50
Mar	163.50	166.25	166.25	163.50
Apr	162.50	165.50	164.75	162.50
May	161.50	164.00	161.50	161.50
Jun	160.50	183.00	162.50	160.50
Aug	166.00		167.25	167.25

Turnover 20873 (11602) lots of 100 tonnes

SUGAR - LCE ($ per tonne)

White	Close	Previous	High/Low	
Dec	282.30	282.50	282.60	279.50
Mar	279.00	279.60	280.00	277.00
May	281.40	281.60	282.70	281.90

Turnover 482 (1238) Paris- White (FFr per tonne): Dec 1657.07 Mar 1657.27

TEA

Landed demand was more selective reports the Tea Broker's Association. Best liquoring Assams were again well supported but coloury mediums were often 5 to 10p lower with plainer types also tending easier. Africans followed a similar pattern with bright types strong, better mediums irregularly 5 to 10p lower, others little changed. The few Ceylons on offer ruled firm. Offshore good demand at firm to dearer rates. Quotations: quality 210p/kg, good medium 140p/kg, medium 121p/kg, low medium 100p/kg. The highest price realised this week was 235p/kg for an Assam pf.

No.7 RAW SUGAR - LCE (cents/lbs)

	Latest	Previous	High/Low
Mar	10.67	10.73	
Jul	11.18	11.24	
Oct	10.99	11.07	

Turnover 20 (40) lots of 50 tonnes.

COCOA - LCE (£/tonne)

	Close	Previous	High/Low	
Dec	942	938	943	933
Mar	971	965	975	965
May	975	974	978	970
Jul	975	973	977	972
Sep	978	975	980	972
Dec	957	959	960	954
Mar	955	956	959	955

Turnover: 2117 (7362)lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Oct 22 921.13 (935.01) 10 day average for Oct 25 912.72 (909.70)

COFFEE - LCE ($/tonne)

	Close	Previous	High/Low	
Nov	1178	1185	1190	1172
Jan	1197	1205	1208	1190
Mar	1179	1185	1190	1172
May	1174	1181	1184	1175
Sep	1170	1179	1183	

Turnover: 2568 (2855) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Oct 22 Comp. daily 69.18 (69.58) 15 day average 67.57 (67.42)

POTATOES - LCE (£/tonne)

	Close	Previous	High/Low	
Mar	115.0		115.0	
Apr	87.3	89.5	87.5	84.5
May	103.0	102.8	100.0	

Turnover 101 (105) lots of 20 tonnes.

FREIGHT - LCE ($10/index point)

	Close	Previous	High/Low	
Oct	1322	1323	1325	1325
Nov	1285	1295	1310	1285
Dec	1292	1295	1310	1290
Jan	1315	1320	1330	1315
Apr	1340	1345	1365	1350
Jul	1195	1185	1210	1200
Oct	1360		1360	
Jan	1370		1380	1370
BFI	1331	1341	1331	

Turnover 133 (360)

GRAINS - LCE (£/tonne)

Wheat	Close	Previous	High/Low	
Nov	97.90	98.50	98.50	98.00
Jan	100.15	100.70	100.80	100.20
Mar	102.10	102.60	102.60	102.00
May	103.85	104.30	103.80	103.75
Barley	**Close**	**Previous**	**High/Low**	
Nov	100.75	100.85		
Jan	102.90	103.00		

Turnover: Wheat 186 (447) Barley 0 (94)

Turnover lots of 100 Tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover N/A lots
Cash	1091-2	1094-95	1091.5	1091.5-2.0		
3 months	1113-3.5	1115-15.5	1116/1111.5	1113-3.5	1111.5-2.0	N/A
Copper, Grade A ($ per tonne)						Total daily turnover N/A lots
Cash	1623-45	1615-16	1620.5/1619.5	1620.5-1.0		
3 months	1646.5-7.0	1636-37	1650/1638	1643.5-4.0	1639-40	N/A
Lead ($ per tonne)						Total daily turnover N/A lots
Cash	398.5-400.5	401-02	398	398-8.5		
3 months	412-4	414.5-15	414/409	411.5-2.0	408-9	N/A
Nickel ($ per tonne)						Total daily turnover N/A lots
Cash	4568-73	4582-86	4620/4600	4537-42		
3 months	4625-30	4640-50	4665/4590	4587-9	4590-5	N/A
Tin ($ per tonne)						Total daily turnover N/A lots
Cash	4745-55	4955-4965	4990	4785-90		
3 months	4795-800	5000-10	4985/4780	4830-40	4780-5	N/A
Zinc, Special High Grade ($ per tonne)						Total daily turnover N/A lots
Cash	930-1	932.5-33.5	926.5	926.5-7.0		
3 months	947-8	949-50	953/941	943-4	944-4.5	N/A

LME Closing £/$ rate: SPOT: 1.4860 3 months: 1.4777 6 months: 1.4714 9 months: 1.4662

LME AM Official £/$ spot rate 1.4865

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	371.50-372.00	
Opening	371.40-371.80	
Morning fix	371.50	250.000
Afternoon fix	371.50	249.212
Day's high	371.90-372.30	
Day's low	370.50-371.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.73	6 months	2.64
2 months	2.69	12 months	2.64
3 months	2.65		

Silver fix	p/troy oz	US cts equiv
Spot	298.40	443.25
3 months	302.40	446.65
6 months	306.10	450.10
12 months	313.35	457.40

GOLD COINS

	$ price	£ equivalent
Krugerrand	374.00-377.00	252.00-255.00
Maple leaf	382.60-385.05	-
New Sovereign	87.00-90.00	58.00-61.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1100	22	48	14	20
1125	5	23	46	45
1150	3	10	92	80
Copper (Grade A)	**Calls**		**Puts**	
1600	49	84	20	34
1650	23	56	44	56
1700	9	36	80	85
Coffee LCE	**Jan**	**Mar**	**Jan**	**Mar**
1150	91	106	44	77
1200	64	82	67	103
1250	45	64	98	135
Cocoa LCE	**Dec**	**Mar**	**Dec**	**Mar**
925	41	88	24	42
950	28	73	36	52
975	19	60	52	64
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
1650	31		21	33
1700	10		50	55
1750	3	22		88

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	369.4	370.2	371.4	369.6
Nov	369.6	370.4	0	0
Dec	370.5	371.3	373.2	368.7
Feb	372.3	373.1	374.9	370.6
Apr	374.1	374.9	376.6	373.6
Jun	375.9	376.7	0	0
Aug	377.6	378.4	0	0
Oct	379.4	380.2	0	0
Dec	381.2	382.0	384.0	383.2

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	372.7	375.0	0	0
Nov	363.0	363.0	0	0
Jan	375.4	376.0	378.5	374.1
Apr	377.4	378.0	380.5	376.5
Jul	378.4	379.0	381.0	380.5
Oct	379.9	380.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	440.4	443.9	448.5	448.5
Nov	441.5	445.0	0	0
Dec	441.7	445.5	449.0	435.0
Jan	442.9	446.7	450.5	450.5
Mar	446.0	449.8	453.5	439.0
May	449.0	452.8	456.5	446.0
Jul	455.0	455.8	455.0	455.0
Sep	454.6	458.4	0	0
Dec	459.0	462.8	466.5	459.0
Jan	460.1	463.9	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	72.65	72.55	73.25	72.65
Nov	72.75	72.65	73.35	73.30
Dec	73.10	72.95	73.65	72.80
Jan	73.35	73.20	73.30	73.30
Feb	73.65	73.50	74.00	74.00
Mar	73.95	73.80	74.65	73.50
Apr	74.20	74.05	74.50	74.50
May	74.45	74.30	75.20	74.55
Jun	74.70	74.55	75.00	75.00
Jul	75.00	74.85	75.85	75.10

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	17.67	18.07	18.09	17.65
Jan	17.86	18.22	18.25	17.85
Feb	18.03	18.37	18.37	18.04
Mar	18.20	18.50	18.48	18.19
Apr	18.31	18.61	18.59	18.31
May	18.44	18.72	18.60	18.42
Jun	18.60	18.82	18.81	18.59
Jul	18.66	18.89	18.77	18.65
Aug	18.83	18.96	18.83	18.83
Sep	18.90	19.03	18.95	18.90

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	52.45	53.35	53.40	52.35
Dec	53.30	54.18	54.20	53.25
Jan	53.95	54.78	54.78	53.90
Feb	54.30	54.98	54.90	54.25
Mar	53.70	54.28	54.10	53.65
Apr	52.85	53.33	53.15	52.85
May	52.00	52.43	52.80	52.00
Jun	51.50	51.93	52.10	51.50
Jul	51.80	52.08	52.00	52.00
Aug	52.25	52.83	52.75	52.75

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1143	1134	1150	1136
Mar	1180	1174	1189	1173
May	1196	1183	1202	1191
Jul	1208	1200	1215	1202
Sep	1225	1220	1229	1220
Dec	1238	1233	1242	1235
Mar	1244	1239	0	0
May	1256	1251	0	0
Jul	1270	1265	0	0
Sep	1289	1284	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	74.00	77.15	77.60	74.15
Mar	76.60	79.60	80.25	76.60
May	78.30	80.75	81.30	78.30
Jul	79.50	82.25	82.70	80.50
Sep	80.85	83.50	83.15	82.00
Dec	83.00	85.00	84.50	84.50
Mar	85.00	86.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.46	10.53	10.55	10.43
May	10.63	10.69	10.70	10.58
Jul	10.69	10.74	10.75	10.63
Oct	10.68	10.74	10.75	10.66

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	57.23	57.55	57.55	56.38
Mar	59.03	59.17	59.15	58.70
May	59.83	59.95	59.95	59.75
Jul	60.60	60.55	60.55	60.20
Oct	61.82	62.00	61.90	61.50
Dec	61.85	62.10	61.30	61.50
Mar	62.55	62.55	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	114.00	114.20	115.50	113.95
Jan	117.00	117.30	118.40	116.85
Mar	119.00	119.50	120.75	119.00
May	120.50	120.95	0	0
Jul	122.00	122.50	123.35	123.25
Sep	122.75	123.25	0	0
Nov	120.50	120.95	0	0
Jan	120.50	120.95	0	0
Mar	120.50	120.95	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Oct 25	Oct 22	mnth ago	yr ago
1597.8	1593.3	1598.9	1643.8

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 22	Oct 21	mnth ago	yr ago
Spot	120.04	119.72	120.10	113.57
Futures	129.85	129.86	125.55	115.04

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	623/2	621/4	626/0	618/0
Jan	630/6	629/4	634/0	625/4
Mar	638/0	636/6	641/0	633/4
May	641/6	640/2	644/4	637/2
Jul	645/0	644/2	648/2	641/0
Aug	644/4	643/0	645/2	641/0
Sep	632/2	632/4	633/4	631/4
Nov	624/6	624/6	626/4	622/2

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	23.10	23.03	23.25	22.86
Jan	23.17	23.13	23.30	22.98
Mar	23.36	23.32	23.48	23.11
May	23.38	23.34	23.55	23.22
Jul	23.38	23.36	23.50	23.23
Aug	23.18	23.17	23.25	23.15
Sep	23.00	23.00	23.05	23.00
Oct	22.65	22.75	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	193.9	193.1	194.9	192.1
Jan	193.9	193.4	195.0	192.5
Mar	195.3	194.4	196.2	193.6
May	196.2	195.4	197.0	194.8
Jul	198.1	197.4	198.7	196.5
Aug	198.2	197.5	198.5	197.3
Sep	197.8	197.4	198.0	197.0
Oct	198.0	197.5	198.0	198.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	256/4	253/4	257/4	251/6
Mar	264/4	261/4	265/6	259/4
May	268/4	265/2	269/4	262/4
Jul	269/4	266/4	270/6	264/6
Sep	260/4	257/4	261/4	257/0
Dec	252/4	249/2	253/4	249/0
Mar	259/4	256/4	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	336/2	335/4	338/0	332/4
Mar	333/0	332/2	334/6	329/4
May	320/4	320/2	321/4	318/6
Jul	312/2	312/2	313/2	311/2
Sep	315/2	316/4	315/2	315/2
Dec	323/0	323/4	323/0	321/6

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	74.450	74.775	HIGH	LOW
Feb	74.575	74.750	75.400	74.300
Apr	75.975	76.275	76.575	74.450
Jun	72.950	73.250	76.675	75.900
Aug	71.400	71.725	73.750	72.900
Oct	71.875	72.100	72.000	71.400

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	48.175	48.275	48.750	47.950
Feb	49.000	49.000	49.375	48.525
Apr	47.375	47.400	47.800	47.000
Jun	51.550	51.725	52.050	51.350
Jul	50.525	50.750	51.000	50.825
Aug	49.350	49.400	49.800	49.050
Oct	45.350	45.500	45.600	45.350

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	57.775	57.975	59.100	57.400
Mar	57.775	57.800	58.900	57.400
May	58.075	58.000	58.150	57.750
Jul	59.175	59.225	60.000	58.700
Aug	58.375	58.250	58.500	58.300

LONDON STOCK EXCHANGE

Shares slip as big investors hold fire

By Steve Thompson

THE record-breaking run by UK equities, that has seen the FT-SE 100 Index move up by around 5 per cent since the start of the month, stalled yesterday as the big domestic and international institutions held back from pushing more cash into a market seen by many observers as having run too far too fast.

"The big funds are holding off until there is a much clearer picture about a rate cut in the UK," said one institutional salesman. He said the market had virtually factored in a one percentage point cut in domestic interest rates, but was uncertain about how the authorities would implement such a reduction.

A rather untidy session in the UK equity market saw share prices come off sharply as the second half of the two-week trading account got underway.

The FT-SE 100 ended one of the quietest sessions in the past two weeks 14.2 lower at 3,184.8. The lack of direction in the second liners was emphasised by the performance of the FT-SE Mid 250 Index, which finished the day unchanged at 3,547.0.

Official turnover levels published by the Stock Exchange emphasised the contraction in the levels of activity around the market yesterday. Turnover was put at 482.6m shares, the lowest daily level for two weeks amd a good 10 per cent below recent average levels of business, which has often topped 700m shares daily. Turnover in non-Footsie stocks yesterday topped 300m shares, dwarfing business in the leaders.

The value of customer business in the market last Friday reached £1.645bn, at the top end of the recent range of activity in the market and a strong indication, dealers said, that UK and overseas funds had continued to pump money into the market.

The lack of impetus in the market was evident from the outset of trading, with sentiment said to have been undermined by Wall Street's failure to establish new closing highs last Friday, despite a powerful opening performance.

The FT-SE 100 kicked off almost four points lower and stayed in negative territory all day, with small flurries of selling plus weakness induced by pressure on the Footsie future, driving the 100 index down to a low point of 3,176.2 in mid-morning.

A lacklustre opening by Wall Street, unsettled by another uninspiring performance by the US bond market, did little to underpin sentiment in London, although a minor bout of short covering helped prices stabilise at the close.

Leading dealings around the top UK securities houses were not surprised at the downturn in the market. "There has been no real downside pressure, and turnover was by no means substantial," said one trader. "We still feel okay, although there is still some profit-taking to come in this market." He stressed, however, that the underlying feel to the market was sound.

There is evidence of a sharp increase in unit trust sales which is bound to impact on the market, said a senior salesman at one of the European banks. He took the view that much of the big fund raising activity via rights issues, had already been carried out.

International funds were said to have been instrumental in driving bank stocks sharply lower yesterday, and were said to have been aggressive sellers of drug stocks.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

Account Dealing Dates

*First Dealings:		
Oct 18	Nov 1	Nov 15
Option Declarations:		
Oct 28	Nov 11	Nov 25
Last Dealings:		
Oct 29	Nov 12	Nov 26
Account Day:		
Nov 8	Nov 22	Dec 6

*New time dealings may take place from two business days earlier.

Vendome makes dull debut

THE market debut of Vendome, the £2bn luxury goods group spun off from the restructuring of Rothmans, was largely shunned by London investors yesterday, the shares slipping in a weak market. However, the new tobacco-only Rothmans advanced strongly in busy turnover as investors sought the high yield on the stock.

Although initially supported, Vendome units quickly came off and dealers reported selling pressure throughout the rest of the session. They closed at 317p, a fall of 13 on the day. Turnover was 2.3m. Rothmans climbed 19 to 403p in volume of 5.4m. Both shares are traded in units and do not qualify for the FT-SE Actuaries series of indices because of the companies' capital structures and payment of dividends.

Vendome, which includes the Cartier jewellery group and the Dunhill luxury gift company, had pro-forma profits of around £200m and earnings of 21.5p. However, stores analysts said that the stock suffered from a low yield and being relatively unknown to UK investors. Mr William Cullen at Panmure Gordon, the house broker, said: "Vendome is a long-term class situation with excellent earnings growth prospects." He added that the units would probably find early support from French and Swiss investors.

Scotia strong

Another stock launching into the market yesterday was Scotia Holdings, the research-based pharmaceuticals group that has financed its growth from products based on evening primrose oil.

Strong institutional demand for the stock pushed turnover up to 5.5m. The issue was placed at 290p and immediately jumped to a strong premium at 323p. Some profit-taking then set in and took the shine off, with the shares closing at 316p.

Dealers said bullish sentiment surrounds the stock and its strong start is not expected to peter out. One analyst said: "It has been an excellent debut, with institutions waiting to mop up the shares."

Lasmo busy

Speculation over the future of Lasmo's finance chief continues to preoccupy the market, with eyes yesterday fixed firmly on today's expected board meeting. Weekend press reports further stoked the rumours, which were strong in the market last week.

The shares notched up 1½ to 145p amid consistent support from US buyers. One industry watcher described the persistent speculation as encouraging since the market would welcome a shift in the boardroom.

Dixons rallies

In a strong stores sector, Dixons recovered from Friday's weak session as the market digested an analysts visit to the electrical retailer's South Wales operations.

The stock had been rocked on Friday by revelations that Tandy Corp, of the US, planned to take on Dixons' PC World stores, with plans to open on several sites in the UK. However, analysts said yesterday that Dixons' management made light of the threat, advancing its own expansion plans and also telling analysts that the £3.5bn UK PC market was likely to see a huge leap in retail margins as its out-of-town computer store concept increased market share. Dixons shares added 2½ at 279p.

There was some talk that Dixons was eyeing some of the sites being earmarked for disposal by Do It All, the loss-making home improvement venture of W.H. Smith and Boots. Do It All is also said to be negotiating with other electrical retailers besides Dixons to share floor space in some unprofitable sites. W.H. Smith "A" rose 8 to 487p and Boots 2 to 517p.

Some nervousness set in around Wellcome ahead of its results on Thursday and the shares slipped 11½ to 834p. The stock was not helped by the advice of Nomura to switch from Wellcome into SmithKline Beecham. But SmithKline also had a poor day, falling 8 to 440p.

Glaxo lost 1½ to 714p, holding a little resilience with Swedish and Canadian approval for two of its drugs.

EC approval of Amersham International's heart imaging agent Myoview put vigour into its shares, with a rise of 25 to 906p. The decision by the European Committee for Proprietary Medicinal Products came a little earlier than expected, although the approval was anticipated. That, coupled with a tight stock sent the price climbing.

Further movements in the break up of British Gas were partly behind the high activity in the stock. While it was reported that the government may move more quickly to end the gas monopoly, there is also a belief that there may be less pressure for a proposed break-up of the company. In volume of 12m, the shares edged ahead a half-penny to 347p.

Profit-takers continued to dog Enterprise Oil which fell back 12 to 481p, while Pittencrieff, still enjoying buoyancy from its telecommunications interests, pushed up 9 to 381p.

International conglomerate Hanson shed 3 to 270p, in average trading of 4.5m, after US investment bank Goldman Sachs downgraded profits expectations.

Goldman now expects profits for the year to September 1993 will be £20m lower than its previous forecast at £1,040m. A more substantial downgrading was made to the current year's figure reducing it by £80m to £1,275m.

Mr Jack Kelly at Goldman Sachs in New York also believes Hanson may dispose of assets in both the UK and US in the next few months. He said: "The closing of the Quantum deal and its associated debt of £1.66bn will encourage management to trim its non-core businesses."

Among financials, National Westminster relinquished 12½ to 572½p, with James Capel and Kleinwort Benson said to be negative on the stock. Royal Bank of Scotland eased 2 to 359p after stating that its US subsidiary is to acquire Boston-based New World Bancorp for $144.3m.

Profit-taking marked the day's performance among composite insurers. Royal Insurance fell 7 to 319p, while Guardian Royal Exchange eased 5 to 219p.

The consolidation of its television interests excited interest in Pearson and there was strong trade of 1.5m shares, considerably above average for the stock. The price edged up a penny to 570p.

Yield factors were said to have proved the attraction in United Newspapers, which moved forward 3 to 557p.

A lower than expected dividend and a cautious interim results statement from business services group BET saw the shares retreat 8 to 128½p. Profits improved 24 per cent to £46.1m, in line with expectations though the dividend was halved to 1p, against predictions of a figure around 1.25p. Volume was 4.9m at the close.

Investors remained unimpressed by the board room squabble at international trading group Lonrho and the shares eased 2½ to 128p.

Tobacco and financial services group BAT were in demand ahead of next week's third quarter figures. The shares closed 4 ahead at 490p.

Inchcape tumbled 13 to 505p after Robert Fleming downgraded profits estimates and reiterated its sell recommendation to investors. The broker shaved its current year estimate by £8m to £270m, to take account of a "shift in currencies".

The news that troubled container leasing group Tiphook was splitting the role of chairman and chief executive and that it had won approval for a higher borrowing limit cheered the market. The shares strengthened 11 to 127p.

The appointment of Mr Roberto Quarto as the new chief executive of BBA was well received by the market and the shares advanced 9 to 167p. Mr Quarto is currently a director at BTR and his departure from the international conglomerate saw its shares relinquish 2 to 373½p.

In a quiet leisure sector, catering outfit Compass Group was helped by a positive note from NatWest Securities. The shares added 6 at 564p.

Second line stores stocks also showed gains. Alexon put on 3 at 73p, Country Casuals 2 at 173p, Moss Brothers – reporting figures yesterday – 7 at 245p and Stylo 5 at 210p.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Christine Buckley.

■ Other statistics, Page 22

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover

Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (170). BRITISH FUNDS (1) Treas. 2pc I-L 1994, AMERICANS (5) Chrysler, Dun & Bradstreet, Eaton, Ford, Varity, BANKS (1) Natl. Westminster, BREWERS (4) Gibbs Mew, Greene King, Vaux, Wetherspoon (J.D.), BLDG MATLS [illegible]

NEW LOWS (8). BRITISH FUNDS (4) BUSINESS SERVS (1) Inchcape, ELECTRICALS (1) Maddox, OTHER INDLS (1) AAF, PROP (1) Embassy Prop.

FINANCIAL TIMES EQUITY INDICES

	Oct 25	Oct 22	Oct 21	Oct 20	Oct 19	Year ago	* High	* Low
Ordinary share	2395.9	2409.5	2397.9	2379.2	2363.8	1976.2	2414.2	2124.7
Ord. div. yield	3.87	3.85	3.87	3.91	3.94	4.60	4.82	3.82
Earning yld % full	4.49	4.47	4.49	4.53	4.57	6.58	6.38	4.47
P/E ratio net	28.06	28.20	28.05	27.80	27.58	19.32	28.30	19.40
P/E ratio nil	25.88	26.00	25.86	25.64	25.43	17.98	26.14	18.14
Gold Mines	220.1	221.0	227.6	224.7	218.7	77.6	249.2	80.0

*for 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2405.6	2399.0	2395.7	2393.7	2393.7	2392.7	2392.4	2392.0	2392.7	2407.1	2391.8

Volume	Oct 25	Oct 22	Oct 21	Oct 20	Oct 19	Year ago
SEAQ Bargains	32,442	34,422	32,358	32,288	32,887	24,437
Equity Turnover(£m)†	-	1646.1	1757.8	1501.8	1760.7	773.1
Equity Bargains†	-	39,521	36,717	36,551	37,454	27,401
Shares traded (mil)†	-	616.6	645.0	705.1	616.2	408.0

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3184.8 -14.2	3547.0 +0.0	1572.00 -5.12

	Oct 25	Day's change %	Oct 22	Oct 21	Oct 20	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
FT-SE 100	3184.8	-0.4	3199.0	3188.3	3158.3	2661.6	3.68	5.38	23.11	84.68	1160.64
FT-SE Mid 250	3547.0	—	3547.0	3526.2	3507.1	2509.6	3.44	5.80	21.73	83.22	1280.25
FT-SE Mid 250 ex Inv Trusts	3545.8	—	3545.1	3523.7	3503.5	2514.9	3.65	6.01	20.39	85.56	1275.44
FT-SE-A 350	1588.1	-0.3	1593.6	1587.4	1573.1	1281.5	3.63	5.43	22.79	41.11	1185.38
FT-SE SmallCap	1804.23	—	1804.56	1799.77	1796.96	-	3.07	3.79	38.21	37.56	1362.38
FT-SE SmallCap ex Inv Trusts	1787.92	—	1788.35	1783.85	1780.72	-	3.27	4.21	33.65	39.65	1352.04
FT-A ALL-SHARE	1572.00	-0.3	1577.12	1571.07	1557.89	1258.90	3.59	5.33	23.33	40.21	1194.20
1 CAPITAL GOODS(215)	1076.29	-0.3	1079.89	1075.21	1065.44	766.45	3.80	3.93	33.35	29.87	1276.53
2 Building Materials(28)	1220.78	-0.2	1222.97	1215.70	1196.42	747.86	3.75	2.82	51.52	32.06	1426.72
3 Contracting, Construction(29)	1060.07	-0.4	1064.30	1051.89	1043.74	627.11	2.99	1.27	80.00†	23.94	1480.90
4 Electricals(15)	2987.42	-1.2	3024.54	3035.91	3022.91	2102.27	4.53	3.54	34.78	105.80	1223.49
5 Electronics(39)	2878.87	-0.9	2903.56	2935.47	2918.75	2058.55	3.03	5.78	21.16	85.49	1261.68
6 Engineering-Aerospace(7)	443.88	+0.1	443.43	437.87	436.12	282.29	3.28	‡	‡	10.07	1548.10
7 Engineering-General(46)	624.01	+0.2	622.93	619.89	618.20	446.74	3.50	5.65	21.97	15.39	1257.47
8 Metals & Metal Forming(9)	493.57	-1.0	498.71	498.84	489.37	290.73	2.18	‡	‡	8.92	1561.07
9 Motors(20)	447.11	+0.4	445.24	444.15	442.65	316.42	4.92	4.23	32.56	19.41	1257.35
10 Other Industrials(19)	2143.17	-0.3	2149.82	2128.38	2104.44	1804.26	4.63	5.85	20.18	70.88	1117.95
[remaining sector rows 21–99 illegible]											

Hourly movements

[illegible]

FT-SE Actuaries 350 Industry Baskets

[illegible]

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

OTHER FIXED INTEREST

[illegible]

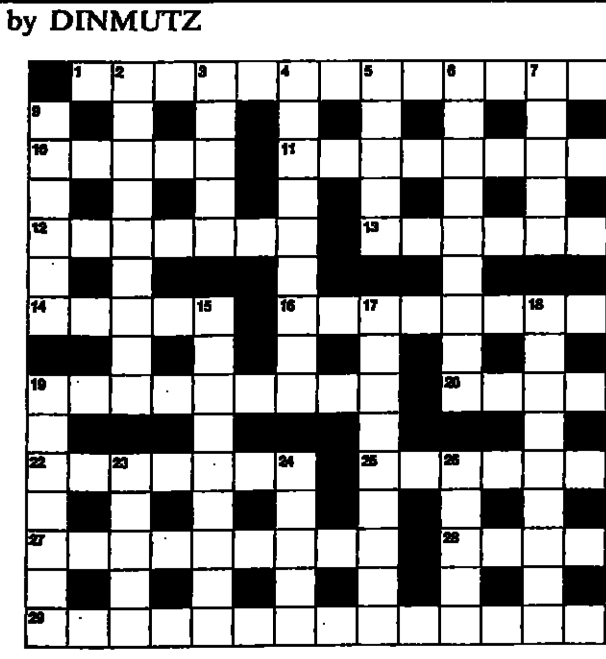
Continued on next page

CROSSWORD

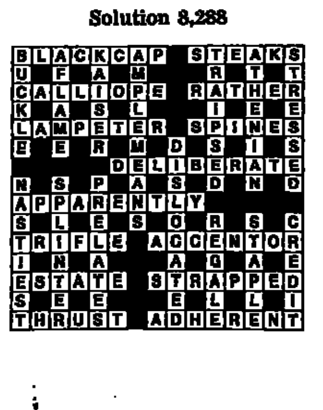
No.8,289 Set by DINMUTZ

ACROSS
1 Wild rag impressed in these Oxford features (8,6)
10 Bill Hill, who may have hard lines? (5)
11 Smooth pill abuse, possibly (9)
12 Old clothing, torn around the end (7)
13 As germ-free as Lister, perhaps, taking the point (7)
14 Crow comes back – using this means of turning? (5)
16 Chinese-whites? (9)
19 Come in after fish and chips (9)
20 Architectural order of English rustic (5)
22 Sword, for example, raised in error by musketeer's leader (4-3)
25 One who rejoices in seeing former partner change? (7)
27 Starter? I ration it out (9)
28 Harvest is poor after good start (5)
29 Powerful spirit released by a light rubber (5,2,3,4)

DOWN
2 Jason's dog? (9)
3 Settle a hunger that is endless (5)
4 No travelling-case? (2-7)
5 Shoot down a bird – for the pot (5)
6 Held entranced (9)
7 Teacher to chatter endlessly (5)
8 They may prevent the joint from falling apart (7)
9 Film comic of unusual allure (6)
15 R. Exe perhaps, a product of wealth? Test it again! (2-7)
17 Element thin on the ground? (4-5)
18 Jet can give burn – heavens above! (9)
19 Throwing last of meat into sausage-skin (7)
21 Understanding nursing? (6)
23 Condescend like Hamlet, say? (5)
24 Subject of doctor, fit to retire (5)
26 Old English coin, a treasure (5)



Solution 8,288



JOTTER PAD

EQUITY FUTURES AND OPTIONS TRADING

EQUITY derivatives were downbeat yesterday, with the recent inflow of money having abated and no clear way ahead in sight, writes Christine Buckley.

The market, which was largely sentiment driven, was also fettered by a general gloom surrounding the likelihood of an early interest rate cut. Similarly, anyone looking towards the gilts market for a lift were disappointed too as it edged easier.

The December futures contract on the FT-SE 100 Index was thus left floundering and independent traders gave up on it in considerable measure – selling to push it lower. US dealers were said to have joined in by off-loading some of their interest. There was little to combat the concerted selling. The contract saw its highest point at the opening and fell back from then on.

December opened at 3,224 and began to drift until it reached its low at 3,203. For most of the afternoon it traded sideways in a narrow band. The contract ended at 3,206, a lead of nearly eight points on its fair value premium to the cash market, which is taken at about 15 points. At 8,537 lots, volume was weak.

Traded options were similarly subdued, turnover reaching only 29,529 lots. Index options featured strongly with 9,723 contracts dealt in the FT-SE 100 and 3,022 in the Euro FT-SE. Guinness was the most heavily traded stock option with 2,445 lots.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		18¾xd	-½	28$\frac{1}{16}$	15⅝	15,692	2.4
Allegheny & W	♥	579p	+21	722p	398p	331.7	3.5
Amdahl		323p	+6	591p	294p	362.7	1.0
Amer Cyanamid		38⅝	-1½	38	31¼	3,290	3.2
Amer Express		23$\frac{3}{16}$xd	+$\frac{1}{16}$	25$\frac{3}{16}$	14⅞	11,158	2.9
Amer T & T		38$\frac{13}{16}$xd	-$\frac{1}{16}$	43¼	33⅛	52,471	2.3
Ameritech		55⅜	-⅝	58⅞	46	24,083	4.4
Anheuser-Busch		32⅝	+⅛	41¼	29⅜	9,028	2.9
BankAmerica		29$\frac{3}{16}$xd	-⅛	38$\frac{1}{16}$	27¼	10,376	3.2
Bankers NY		53$\frac{1}{16}$xd	+$\frac{1}{16}$	54¼	42⅝	4,421	3.9
Bell Atlantic		42	-⅞	44⅞	32¼	18,258	4.2
BellSouth		41¼	-⅝	41⅞	32⅞	20,977	4.5
Bethlehem Steel	♥	11$\frac{3}{16}$xd	+¾	13¼	8½	1,023	-
Bowater		1282pxd	+23	1682p	1180p	483.2	3.1
CPC		32¼xd	-½	34⅝	26	4,932	2.7
California Engy		1168p		1479p	1080p	212.3	-
Chase Manhattan		23$\frac{1}{16}$xd	-$\frac{1}{16}$	24⅞	17⅞	3,658	3.4
Chrysler		36⅝xd	+$\frac{1}{16}$	36⅛	21⅛	10,652	1.1
Citicorp		24¼xd	-$\frac{1}{16}$	28	13$\frac{1}{16}$	9,047	-
Colgate-Palm		38$\frac{3}{8}$xd	-$\frac{1}{16}$	45⅝	32	6,167	2.5
Cont'l Bank		1762p	-6	1877p	1278p	1,780	2.3
Dana		39⅛xd	-⅜	39$\frac{1}{16}$	29$\frac{1}{2}$	1,786	3.7
Data General		671p	+3	951p	527p	185.2	-
Decora Inds	♥	98p		146p	88p	-	-
Dun & Brad		44¼	+¼	44¼	37⅛	7,880	3.7
Eaton		34⅛	+⅛	34½	25$\frac{3}{8}$	2,374	2.3
Echlin		21xd	-¼	21½	15$\frac{1}{16}$	1,224	2.2
FPL		26¼xd		27⅝	23¼	4,859	6.2
Ford Motor		40xd	+⅛	40	28¾	19,679	2.7
Gen Elect		64$\frac{11}{16}$xd	-1$\frac{1}{16}$	67$\frac{1}{16}$	53⅝	55,392	2.6
General Host	♥	520p	+4	723p	456p	-	4.4
Gillette		40⅞xd	-¼	42⅝	31$\frac{1}{16}$	9,009	1.4
Hasbro		20⅞		20⅞	20⅞	1,819	0.8
Honeywell		22$\frac{7}{16}$xd	+$\frac{1}{16}$	26½	20$\frac{1}{4}$	4,662	2.7
Houston Inds		32⅝	-⅝	33¼	28¼	4,193	6.2
Ingersoll-Rand		24$\frac{7}{16}$xd	-⅛	25$\frac{1}{2}$	19⅞	2,678	1.9
Lockheed		45	+¼	45⅞	35¼	2,790	3.1

BUSINESS SERVICES

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's	P/E
ADT $		508	+3	675	463	930.3	-	
Adam & Harvey		235		238	198	10.1	6.4	
Air London		63		92	56	5.59	7.2	
African Lakes		47		58	37	3.31	5.3	
Auto'ted Sec		143	+3	178	83	167.5	4.6	
BET		128½	-6	138	84	1,200	‡	
BNB Res		100		111	41	26.3	5.7	
BPP		308		318	258	80.5	3.3	
Barbour Index		227		285	195	37.7	4.4	
Black & Edg		1¼		1½	0½	6.08	-	
Boustead		24		27	15	20.6	‡	
Bridgend		23		27	12	6.76	2.2	
Brit Data Mangt		288	+18	289	184	64.8	2.2	19.
Brit Fittings		84		89	45	20.0	2.2	
Brooks Service		68	-1	73	54	8.31	0.9	
Business Post		147		164	131	73.5	2.5	20.
CRT		97		109	86	51.2	3.6	17.
Capita		184	+1	193	139½	87.2	1.4	28.
Caskel		41½	+1	45	31	33.2	2.4	16.
Chiltern Capital AS		24		65	18½	22.2	-	
Christie Group		50		51	26	11.7	-	
Chubb Security		360	+1	370	228	1,006	1.6	22.
Comac		908		100	18	5.78	2.2	22.
Corp Servs		36		37	6½	13.5	-	
Coutts Consulting		75		78	20	17.9	-	
Dart		125		125	93	18.1	3.3	17.
Davis Service		222		256	198	226.0	4.5	16.
EW Fact		104		104	85	5.59	5.2	11.
Gardiner		24½	-½	32	11	28.3	‡	17.
Hays		273	-2	277	215	1,180	2.4	
Hogg Robinson		238		248	174	164.7	3.5	17.
Holmes Protect $		39		70	35	17.2	-	2.
Hutch Whamp HK$	♥	234	-2	250½	127	8,128	2.0	19.
ISS B DKr		221¾		221¾	23¾	584.9	4.8	3.
Inchcape		506xd	-13	637	505	2,646	3.4	16.
Ind Food Machinery		66		84	52	9.60	2.7	
Johnson Cleaners		870		873	660	171.4	3.7	19.

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
[illegible] Figures or report awaited
[illegible] Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
[illegible] USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
# Price at time of suspension

q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings

official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other

T Figures estimated.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

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AUTHORISED UNIT TRUSTS

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing: 0277 261010. Enq: 0903 204631

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Growth	6	75.16	75.50xd	80.41	-0.29	0.84
High Income	5	286.6	288.0xd	317.0	-0.6	4.28
(Accum Units)	5	523.8	528.1	581.8	-0.9	4.28
Intl Bond	5	71.07	71.07	74.77	-0.2	5.27
Intl Equity Growth	5	67.70	67.76	72.10	-0.3	0.80
North American Growth	6	95.93	96.46xd	102.61	-0.54	0.72
Special Sits Growth	5	20.81	21.15xd	22.49	+0.08	2.07
UK Growth	5	384.4	388.7xd	390.1	—	2.64
(Accum Units)	5	463.7	466.6	466.5	—	2.64

National Westminster UT Mngrs (1200)F
5 Rayleigh Road, Hutton, Brentwood, Essex
Dealing: 0277 690260 Admin Enquiries: 0277 690366

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Europe Inc	5¼	57.11	57.88	60.85	-0.27	0.63
Europe Acc	5¼	57.11	57.88	60.85	-0.27	0.63
Far East Acc	5¼	63.88	64.84	68.43	+0.07	—
Fund of Funds Inc	5¼	55.31	56.04	59.14	-0.09	0.74
Fund of Funds Acc	5¼	56.31	56.04	59.14	-0.09	0.74
Japan Acc	5¼	66.06	66.86	70.66	-0.12	—
North America Inc	5¼	49.11	49.51	52.28	-0.03	0.59
North America Acc	5¼	49.11	49.51	52.28	-0.03	0.59
UK Equity Growth Inc	5¼	56.73	57.79	60.99	-0.13	1.80
UK Equity Growth Acc	5¼	56.73	57.79	60.99	-0.13	1.80
UK General Inc	5¼	55.24	56.22xd	59.33	-0.08	2.06
UK General Acc	5¼	56.49	57.49	60.66	-0.08	2.06
UK Gilt & Fixed Int Inc	5¼	51.02	51.02xd	53.73	-0.06	6.49
UK Gilt & Fixed Int Acc	5¼	53.05	53.05	55.88	-0.06	6.49
UK Income Inc	5¼	57.28	58.28	61.51	-0.03	2.88
UK Income Acc	5¼	58.81	59.66	62.97	-0.03	2.88

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

State Street Unit Trust Mngmt Ltd (1400)F
28 King Street, London SW1 6QW 071-344 7000

Stewart Ivory Unit Tst Mgrs Ltd (1200)F
45 Charlotte Sq, Edinburgh 031-226 3271

Sun Alliance Unit Tst Mngmt Ltd (1200)F
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries 0277 227300

INVESCO Asset Management Ltd
Exempt Funds

Jupiter Merlin Unit Trust Managers Ltd
Jupiter Merlin Exempt Trust

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	214.74	15.02	+0.15	-

Lazard Brothers & Co. Ltd

Lazard Investors Ltd ‡
Exempt Funds

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 071-588 1815

* Available only to Local Authorities

M & G Securities Ltd

Morgan Grenfell Investment Funds Ltd

INSURANCES

Allied Dunbar Assurance Plc - Contd.

American Life Insurance Co UK
2-8 Altyre Road, Croydon CR9 2LA 081-680 6000

	Bid Price	Offer Price	+ or -	Yield Gross
Premier Managed	208.1	219.0	+1.2	-
Alpha Managed	136.2	143.5	+0.8	-
HCA Managed	135.8	142.6	+1.8	-

Barclays Life Assur. Co Ltd

Citibank Life - Contd.

City of Westminster Assurance

OTHER UK UNIT TRUSTS

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IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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JERSEY (REGULATED)(**)

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LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE

Pound rises on rate cut doubts

THE pound gained against the D-Mark and dollar as an element of doubt emerged over an early cut in UK interest rates and other currencies settled following the volatility of last week, *writes Peter John.*

But most of yesterday's moves reflected adjustment of trading positions rather than heavy shifts of money and economists were wary of giving them too much importance.

Economic data on Friday had suggested the UK economic recovery was still on track. This prompted coverage in the weekend press arguing that a UK rate cut was less necessary than previously thought. The comment gave an additional lift to a pound already helped by selling of the D-Mark and the dollar.

The German currency was weaker in the aftermath of the Bundesbank's surprise rate reduction last Thursday. Many investors feel the Bundesbank might have signalled a shift in monetary policy and be more prepared to ease rates again. That view was slightly jolted when the west German state of Baden-Württemberg announced a 0.3 rise in the cost of living in the month to mid-October, giving a year-on-year rise of 4.1 per cent. Most economists had hoped for a lower figure.

Nevertheless, short-term investors had built up large holdings of D-Marks during the recent speculative selling of the French and Belgian francs and the movement of those holdings is likely to take some time.

By the close of European dealing, sterling was up two pfennigs against the D-Mark at DM2.4880.

The dollar saw some correction after its six-pfennig rise against the D-Mark last week and was sold down a pfennig after the release of the Baden-Württemburg figures. It rallied later to close at DM1.6735 to the D-Mark, down from Friday's DM1.6750. Against the pound, it ended the day at $1.4860, down from $1.4730.

US home sales climbed in September to a seasonally-adjusted annual rate of 3.91m, the highest level this year, but economists are waiting for Thursday's GDP figures. The data are forecast to show a rise of around 2.4 per cent in the third quarter after a 1.9 per cent rise in the second.

The French franc lost some of the gains achieved after key rates were cut on Friday. The currency nudged FFr3.50 to the D-Mark at one stage yesterday but recovered to close half a centime lower at FFr3.49.

The Belgian currency was weaker during the day in reaction to the the breakdown of talks on the government's social pact. It fell to BFr21.80 against the D-Mark but closed steady at BFr21.68.

Economists said the impasse could store up trouble for the currency if it appeared that strikes were looming.

● The Canadian dollar fell half a cent against its US counterpart to C$1.31 as the country went to the polls. Surveys have shown the Liberals holding a strong lead over the governing Conservatives.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 25	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.14940	-2.15	5.74	16
D-Mark	1.94964	1.91326	-1.87	5.43	18
Spanish Peseta	154.250	153.216	-0.67	4.16	5
Irish Punt	0.808628	0.812275	0.45	3.00	-3
French Franc	6.53883	6.69063	2.32	1.12	-19
Portuguese Escudo	192.854	197.664	2.49	0.95	-17
Danish Krone	7.43679	7.68771	3.37	0.09	-23
Belgian Franc	40.2123	41.6048	3.46	0.00	-25

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. ‡Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

£ IN NEW YORK

Oct 25	Latest	Previous Close
£ Spot	1.4855-1.4865	1.4720 1.4730
1 month	0.37-0.36pm	0.35 0.34pm
3 months	0.86-0.85pm	0.82 0.80pm
12 months	2.60-2.53pm	2.48 2.43pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct 25	Previous
8.30 am	80.4	80.2
9.00 am	80.4	80.2
10.00 am	80.5	80.1
11.00 am	80.6	80.1
Noon	80.5	80.1
1.00 pm	80.5	80.0
2.00 pm	80.5	80.1
3.00 pm	80.5	79.9
4.00 pm	80.5	79.9

CURRENCY RATES

Oct 25	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.941221	0.769550
U.S Dollar	3.00	1.39423	1.14409
Canadian $	4.77	1.81919	1.49876
Austrian Sch	5.25	16.3655	13.4602
Belgian Franc	6.00	50.4572	41.6048
Danish Krone	7.25	9.37550	7.68771
D-Mark	5.75	2.32488	1.91326
Dutch Guilder	5.25	2.61153	2.14940
French Franc	-	8.12768	6.69063
Italian Lira	8.5	2240.82	1842.94
Japanese Yen	1.75	150.985	124.385
Norway Krone	-	10.1444	8.33297
Spanish Peseta	-	185.982	153.216
Swedish Krona	11.50	11.2201	9.25053
Swiss Franc	4.25	2.04603	1.68610
Greek Drach	19	N/A	276.366
Irish Punt	-	N/A	0.812275

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Oct 22

CURRENCY MOVEMENTS

Oct 25	Bank of England Index	Morgan ** Guaranty Changes %
Sterling	80.5	-29.70
U.S Dollar	66.1	-11.30
Canadian Dollar	92.3	-9.63
Austrian Schilling	114.8	+16.69
Belgian Franc	108.8	-2.87
Danish Krone	113.3	+8.30
D-Mark	125.2	+32.89
Swiss Franc	114.6	+23.68
Dutch Guilder	120.1	+22.37
French Franc	106.5	-8.74
Lira	79.0	-35.42
Yen	179.5	+120.58
Peseta	88.2	-32.52

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100) **Rates are for Oct 22

OTHER CURRENCIES

Oct 25	£	$
Argentina	1.4865 - 1.4895	0.9995 - 1.0000
Australia	2.2240 - 2.2265	1.4930 - 1.4945
Brazil	243.740 - 243.745	163.640 - 163.645
Finland	8.5365 - 8.5665	5.7315 - 5.7515
Greece	361.795 - 362.245	242.900 - 243.200
Hong Kong	11.5115 - 11.5135	7.7285 - 7.7295
Iran	2357.85 - 2380.85	1583.00 - 1585.00
Korea(Sth)	1205.15 - 1205.30	809.10 - 809.20
Kuwait	0.44505 - 0.44610	0.29880 - 0.29950
Luxembourg	53.90 - 54.00	36.25 - 36.35
Malaysia	3.7960 - 3.7975	2.5485 - 2.5495
Mexico	4.6360 - 4.6375	3.1125 - 3.1135
N.Zealand	2.6755 - 2.6790	1.7965 - 1.7985
Saudi Ar	5.5865 - 5.5870	3.7505 - 3.7515
Singapore	2.3380 - 2.3395	1.5695 - 1.5705
S.Af (Cm)	5.0055 - 5.0075	3.3605 - 3.3630
S.Af (Fn)	6.2260 - 6.2410	4.1800 - 4.1900
Taiwan	39.90 - 40.05	26.80 - 26.90
U.A.E.	5.4705 - 5.4710	3.6725 - 3.6735

POUND SPOT - FORWARD AGAINST THE POUND

Oct 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4785 - 1.4910	1.4855 - 1.4865	0.38-0.36cpm	2.99	0.86-0.83pm	2.27
Canada	1.9260 - 1.9545	1.9465 - 1.9475	0.28-0.21cpm	1.51	0.57-0.43pm	1.03
Netherlands	2.7805 - 2.7975	2.7875 - 2.7975	par-¼cdis	-0.54	¼-½dis	-0.54
Belgium	53.60 - 54.25	53.90 - 54.00	11.00-16.00cdis	-3.00	32.00-41.00dis	-2.71
Denmark	9.9455 - 10.0110	10.0000 - 10.0100	1½-2¼oredis	-2.35	5⅝-6⅞dis	-2.50
Ireland	1.0505 - 1.0595	1.0505 - 1.0515	0.05-0.07cdis	-0.69	0.18-0.22dis	-0.76
Germany	2.4755 - 2.4900	2.4850 - 2.4900	⅛-¼pfdis	-0.90	½-⅝dis	-0.90
Portugal	255.35 - 258.45	256.20 - 257.20	104-114cdis	-5.10	323-348dis	-5.23
Spain	197.95 - 199.30	198.85 - 199.15	61-71cdis	-3.98	175-197dis	-3.74
Italy	2381.80 - 2399.25	2391.25 - 2392.25	5-7liredis	-3.01	15-19dis	-2.93
Norway	10.7575 - 10.8775	10.8200 - 10.8300	½-¾oredis	-0.69	⅞-1¼dis	-0.30
France	8.6495 - 8.7080	8.6775 - 8.6875	⅝-⅞cdis	-1.04	1⅞-2¼dis	-0.92
Sweden	11.8900 - 12.0570	12.0125 - 12.0225	1-2⅞oredis	-1.69	3¼-5⅞dis	-1.52
Japan	160.70 - 161.75	160.75 - 161.75	½-⅜ypm	3.26	1⅜-1¼pm	3.26
Austria	17.38 - 17.51	17.48 - 17.49	⅞-1⅞grodis	-0.94	3⅜-5¼dis	-0.99
Switzerland	2.1815 - 2.1955	2.1850 - 2.1950	⅜-⅛cpm	1.37	¾-⅜pm	1.03
Ecu	1.2950 - 1.3040	1.2990 - 1.3000	0.15-0.19cdis	-1.57	0.47-0.54dis	-1.55

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.53-1.48pm . 12 Month 2.60-2.50pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4785 - 1.4910	1.4855 - 1.4865	0.38-0.36cpm	2.99	0.86-0.83pm	2.27
Ireland†	1.3985 - 1.4130	1.4060 - 1.4070	0.42-0.38cpm	3.41	1.10-1.05pm	3.06
Canada	1.3000 - 1.3115	1.3090 - 1.3100	0.15-0.17cdis	-1.47	0.38-0.44dis	-1.25
Netherlands	1.8710 - 1.8840	1.8790 - 1.8800	0.52-0.55cdis	-3.42	1.29-1.34dis	-2.8
Belgium	36.20 - 36.50	36.25 - 36.35	18.00-30.00cdis	[illegible]	[illegible]	[illegible]
Denmark	6.7030 - 6.7350	6.7300 - 6.7350	3.00-3.30oredis	[illegible]	[illegible]	[illegible]
Germany	1.6660 - 1.6780	1.6730 - 1.6740	0.52-0.5[illegible]	[illegible]	[illegible]	[illegible]
Portugal	172.45 - 172.95	172.50 - 172.60	125-1[illegible]	[illegible]	[illegible]	[illegible]
Spain	133.50 - 134.20	133.80 - 133.90	78-[illegible]	[illegible]	[illegible]	[illegible]
Italy	1605.00 - 1615.00	1609.25 - 1609.75	8.10-8.50	[illegible]	[illegible]	[illegible]
Norway	7.2580 - 7.3035	7.2825 - 7.2875	1.65-1.95	[illegible]	[illegible]	[illegible]
France	5.8220 - 5.8635	5.8400 - 5.8450	1.96-2.0[illegible]	[illegible]	[illegible]	[illegible]
Sweden	8.0180 - 8.1150	8.0850 - 8.0900	3.05-3.35	[illegible]	[illegible]	[illegible]
Japan	108.25 - 108.80	108.35 - 108.45	0.06-0.0[illegible]	[illegible]	[illegible]	[illegible]
Austria	11.7350 - 11.7800	11.7350 - 11.7400	3.20-3.45	[illegible]	[illegible]	[illegible]
Switzerland	1.4670 - 1.4795	1.4730 - 1.4740	0.18-0.[illegible]	[illegible]	[illegible]	[illegible]
Ecu†	1.1370 - 1.1475	1.1440 - 1.1450	0.44-0.4[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct 25	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	6¼ - 6	6 - 5⅞	5⅞ - 5 13/16	[illegible]	[illegible]	[illegible]
US Dollar	3⅛ - 3	3⅛ - 3	3 3/16 - 3 1/16	[illegible]	[illegible]	[illegible]
Can. Dollar	4 7/16 - 4 5/16	4⅝ - 4½	4⅝ - 4½	[illegible]	[illegible]	[illegible]
Dutch Guilder	6¼ - 6⅛	6¼ - 6⅛	6 3/16 - 6 1/16	[illegible]	[illegible]	[illegible]
Swiss Franc	4⅞ - 4⅝	4⅞ - 4⅝	4⅝ - 4½	[illegible]	[illegible]	[illegible]
D-Mark	6⅝ - 6½	6 9/16 - 6 7/16	6 9/16 - 6 7/16	[illegible]	[illegible]	[illegible]
French Franc	7 - 6⅞	6 13/16 - 6 11/16	6¾ - 6⅝	[illegible]	[illegible]	[illegible]
Italian Lira	10 - 8	9 - 8½	8¾ - 8¼	[illegible]	[illegible]	[illegible]
Belgian Franc	9 7/16 - 9 5/16	9 7/16 - 9 5/16	9¼ - 9⅛	[illegible]	[illegible]	[illegible]
Yen	2 7/16 - 2½	2½ - 2 7/16	2½ - 2 7/16	[illegible]	[illegible]	[illegible]
Danish Krone	7¾ - 7¼	8¼ - 7¾	8¼ - 7¾	[illegible]	[illegible]	[illegible]
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 2½	[illegible]	[illegible]	[illegible]
Spanish Peseta	9⅝ - 9⅜	9⅝ - 9 7/16	9¾ - 9½	[illegible]	[illegible]	[illegible]
Portuguese Esc	12¼ - 11⅞	12¼ - 11¾	11½ - 11¼	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 4⅛-4 per cent; three years 4½-4⅜ per cent; four years 4 13/16-4 11/16 per cent; five years 5 1/16-4 15/16 per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct 25	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.486	2.488	161.3	8.683	2.190	2.793	2392	1.947	53.95	199.0	1.300
$	0.673	1	1.674	108.5	5.843	1.474	1.880	1610	1.310	38.31	133.9	0.875
DM	0.402	0.597	1	64.83	3.490	0.880	1.123	961.4	0.783	21.68	79.98	0.523
YEN	6.200	9.213	15.42	1000.	53.83	13.58	17.32	14830	12.07	334.5	1234	8.060
F Fr.	1.152	1.711	2.865	185.8	10.	2.522	3.217	2765	2.242	62.13	229.2	1.497
S Fr.	0.457	0.679	1.136	73.65	3.965	1	1.275	1092	0.889	24.63	90.87	0.594
N Fl.	0.358	0.532	0.891	57.75	3.109	0.784	1	856.4	0.697	19.32	71.25	0.465
Lira	0.418	0.621	1.040	67.43	3.630	0.916	1.168	1000.	0.814	22.55	83.19	0.543
C $	0.514	0.763	1.278	82.85	4.460	1.125	1.435	1229	1	27.71	102.2	0.668
B Fr.	1.854	2.754	4.612	299.0	16.09	4.059	5.177	4434	3.609	100.	368.9	2.410
Pta	0.503	0.747	1.250	81.06	4.363	1.101	1.404	1202	0.978	27.11	100.	0.653
Ecu	0.769	1.143	1.914	124.1	6.679	1.685	2.148	1840	1.498	41.50	153.1	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls November	Calls December	Calls March	Puts November	Puts December	Puts March
123	-	1.75	-	0.01	0.09	-
124	0.71	0.91	-	0.04	0.27	-
125	0.08	0.36	-	0.37	0.70	0.22
126	-	0.10	-	-	-	0.38
127	-	0.03	2.50	-	-	0.59
Open Int	31,329	207,465	84,218	30,119	169,033	65,141

Estimated volume 54,785 † Total Open Interest 587,785

† All Yield & Open interest figures are for the previous day.

FT-SE 100 INDEX *

£25 per full index point

	Close	High	Low	Prev.
Dec	3205.5	3224.0	3196.0	3228.0
Mar	3223.5	3230.0	3216.0	3245.5
Jun	3233.5	3234.0	3233.0	3257.0

Estimated volume 11007 (8893)

Previous day's open int. 69033 (69891)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4860	1.4823	1.4778	1.4710	1.4605

BASE LENDING RATES

	%
Adam & Company	6
Allied Trust Bank	6
AIB Bank	6
●Henry Ansbacher	6
Bank of Baroda	6
Banco Bilbao Vizcaya	6
Bank of Cyprus	6
Bank of Ireland	6
Bank of India	6
Bank of Scotland	6
Barclays Bank	6
Brit Bk of Mid East	6
●Brown Shipley	6
CL Bank Nederland	6
Citibank NA	6
City Merchants Bank	6
Clydesdale Bank	6
The Co-operative Bank	6
Coutts & Co	6
Credit Lyonnais	6
Cyprus Popular Bank	6
Duncan Lawrie	6
Exeter Bank Limited	7
Financial & Gen Bank	7
●Robert Fleming & Co	6
Girobank	6
●Guinness Mahon	6
Habib Bank AG Zurich	6
●Hambros Bank	6
Heritable & Gen Inv Bk.	6
●Hill Samuel	6
C. Hoare & Co	6
Hongkong & Shanghai.	6
Julian Hodge Bank	6
●Leopold Joseph & Sons	6
Lloyds Bank	6
Meghraj Bank Ltd	6
Midland Bank	6
* Mount Banking	6
NatWestminster	6
Nykredit Mortgage Bnk	6.5
Rea Brothers	6
* Roxburghe Bank Ltd	6
Royal Bk of Scotland	6
●Smith & Williman Secs	6
Standard Chartered	6
TSB	6
●United Bk of Kuwait	6
Unity Trust Bank Plc	6
Western Trust	6
Whiteaway Laidlaw	6
Wimbledon & Sth West	7
Yorkshire Bank	6

* (In administration)

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Short sterling dips

CONCERN that the government might be less willing than previously thought to ease UK interest rates led to weakness in short sterling yesterday, *writes Peter John.*

Recent hopes that a half, or even a one-point cut, might be made before the November budget were fuelled towards the end of last week by a rash of interest rate cuts throughout continental Europe.

UK clearing bank base lending rate 6 per cent from January 26, 1993

On Friday, the market ignored figures showing that the UK recovery was still on track and continued to take the line that further easing was needed to revitalise the economy.

But speculation in the weekend press that the Treasury and Bank of England felt there was no fundamental economic basis to a further cut in lending rates dulled the optimism.

"The market was overbought," said one trader. "It got carried away in sympathy with the continental cutting."

Yesterday, the short sterling futures contract for December slipped 11 basis points to 94.60 as a more pragmatic reappraisal of the economy percolated through the market. German and French short-term interest rate futures were also weaker. The German contract for December eased 6 to 93.91 and the French December was marginally lower on the day.

UK interbank operations proceeded smoothly in spite of expectations that a large liquidity shortage might cause problems.

Money market dealers anticipate shortfalls of more than £5bn this week as loans mature. That figure will be exacerbated by a record-sized £3.5bn gilts auction on Wednesday, half of which will have to be paid for this week.

Yesterday's early forecast shortage of £1.2bn, later revised to £1.3bn, contained £1.83bn of bills for repurchase but was partly offset by Exchequer transactions which injected £900m into the system and a fall in note circulation which added £940m. The figure for note circulation is generally high on Mondays as the high street banks adjust to the high levels of cash they need to carry over weekends.

The bulk of the shortage was taken out during the early round when the Bank provided £950m of bills at 5 29/32 per cent. This allowed the remaining assistance to be taken up in smaller lots of £125m and £225m both via band one bank bills at 5⅞ per cent, bringing help for the day to £1.3bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct 25) 3 months US dollars		6 months US Dollars	
bid 3¼	offer 3⅜	bid 3 5/16	offer 3 7/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	6	One month	2.97	Three year	4.22
Broker loan rate	5	Two month	3.03	Five year	4.82
Fed.funds	3⅛	Three month	3.12	Seven year	6.06
Fed.funds at intervention	3⅛	Six month	3.25	10-year	5.48
		One year	3.44	30-year	6.05
		Two year	3.94		

Oct 25	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.45-6.55	6.45-6.60	6.40-6.55	6.35-6.50	6.05-6.20	6.75
Paris	6 13/16-6 13/16	6.70-6.85	-	6.50-6.65		6.45
Zurich	4⅝-4⅞	4½-4⅝	-	4 7/16-4 7/16	-	-
Amsterdam	6.38-6.43	6.42-6.47	-	6.33-6.38	-	-
Tokyo	2 7/16-2½	-	-	-	-	-
Milan	8 13/16-9 3/16	8¾	-	8⅝-8 11/16	-	-
Brussels	9⅜-9½	9⅛-9¼	-	8¾-8⅞	-	-
Dublin	6 11/16-6 13/16	6 13/16-7 1/16	6⅞-7	6⅞-7	6⅝-6¾	-

LONDON MONEY RATES

Oct 25	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	6½	5⅞	5⅞	5 13/16	5½	5 7/16
Interbank Bid	4	5⅝	5¾	5 11/16	5⅜	5 5/16
Sterling CDs.	-	-	5 13/16	5½	5½	5⅜
Local Authority Deps.	6	5 13/16	5 13/16	5½	5 7/16	5⅜
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	5¾	5⅞	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	5¾	5⅝	5⅜	5⅜
Treasury Bills (Buy)	-	-	5⅝	5½	5½	-
Bank Bills (Buy)	-	-	5⅝	5 7/16	5 5/16	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs.	-	-	2.98	3.06	3.14	3.20
SDR Linked Dep. Offer	-	-	4¼	4¼	4⅛	4⅛
SDR Linked Dep. Bid	-	-	4⅛	4⅛	4⅛	4
ECU Linked Dep. Offer	-	-	7 5/16	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	-	-	7 1/16	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 5 7/16 per cent; three months 5[illegible] per cent; Bank Bills (sell): one-month 5⅝ per cent; three months 5 13/16 per cent; Treasury Bills; Average tender rate of discount 5.0137 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1993. Agreed rates for period Oct 26, 1993 to Nov 23, , 1993 Scheme II & III: 7.22 p.c. Reference rate for period Sept 1, 1993 to Sept 30 , 1993, Scheme IV&V: 5.95[illegible] p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance House Base Rate 6½ p.c. from October 1, 1993. Bank Deposit Rate for sums at 7 days notice 5⅜ p.c. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 2¾ p.c.; one-three months 5 p.c.; three-six months 5 p.c.; six-nine months 4¾ p.c.; nine-twelve months 4½ p.c.; Under £100,000 2¾ p.c. from Jan 27, 1993. Deposits withdrawn for cash 1¼p.c.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES- Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year, 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | NETHERLANDS | NORWAY | ITALY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | MALAYSIA | SINGAPORE

[illegible]

CANADA

TORONTO

4 pm close October 25

[illegible]

Total Sales 16,413,600 shares

MONTREAL

4 pm close October 25

[illegible]

INDICES

NEW YORK

DOW JONES	Oct 25	Oct 22	Oct 21	Oct 20	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3673.61	3649.30	3636.16	3645.10	3673.61 (25/10)	3241.95 (20/1)	3673.61 (25/10/93)	41.22 (2/7/32)
Home Bonds	108.19	108.33	108.45	108.57	108.77 (18/10)	103.40 (11/1)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1677.71	1664.46	1663.61	1666.31	1683.06 (18/4)	1453.64 (4/1)	1683.06 (18/4/93)	12.32 (8/7/32)
Utilities	238.60	240.51	242.95	243.28	256.45 (31/8)	217.14 (8/1)	256.45 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 3694.81 (3657.92) Low 3618.28 (3612.13) (Theoretical)♦
Day's High 3676.68 (3670.98) Low 3645.19 (3638.16) (Actual)♦

STANDARD AND POOR'S	Oct 25	Oct 22	Oct 21	Oct 20	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	464.20	463.27	465.36	466.07	469.50 (15/10)	429.05 (8/1)	469.50 (15/10/93)	4.40 (1/6/32)
Industrials♥	530.91	528.78	531.07	531.41	534.61 (18/10)	488.48 (26/4)	534.61 (18/10/93)	3.62 (21/6/32)
Financial	45.57	45.87	45.87	45.87	48.40 (28/8)	39.89 (8/1)	48.40 (28/8/93)	8.64 (1/10/74)
NYSE Composite	257.33	257.66	257.91	258.28	260.48 (15/10)	236.21 (8/1)	260.48 (15/10/93)	4.46 (25/4/42)
Amex Mkt. Value	475.58	477.25	477.52	478.59	483.23 (15/10)	395.84 (8/1)	483.23 (15/10/93)	29.31 (9/12/72)
NASDAQ Composite	766.75	772.66	771.28	768.25	787.42 (15/10)	645.87 (26/4)	787.42 (15/10/93)	54.87 (31/10/72)

	Oct 22	Oct 15	Oct 8	year ago (approx.)
Dow Industrial Div. Yield	2.79	2.81	2.84	3.24
	Oct 20	Oct 13	Oct 6	year ago (approx.)
S & P Industrial div. yield	2.20	2.47	2.48	2.76
S & P Ind. P/E ratio	28.48	28.00	27.86	26.77

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
RJR Nabisco	8,300,800	5⅞	+ ¼
Gen Motors	5,574,500	44⅞	- 1¼
WMX Tech	3,404,700	24⅞	+ ½
Paramount	3,227,600	79	+ 1⅜
Centerior	2,310,500	14½	- ⅞
Philip Morris	2,219,600	53½	+ ½
IBM	2,212,600	44⅞	+ ⅞
Wal-Mart	2,173,300	26⅝	+ ⅞
Am T & T	2,081,500	58	+ ¼
Merck	1,974,300	32	- ⅞

TRADING ACTIVITY

† Volume Millions	Oct 25	Oct 22	Oct 21
New York SE	257.174	296.590	287.221
Amex	15.418	19.785	19.811
NASDAQ	(a)	361.739	338.566
NYSE			
Issues Traded	2,640	2,638	2,641
Rises	903	980	948
Falls	1,076	1,029	1,062
Unchanged	661	649	631
New Highs	68	95	87
New Lows	27	27	30

CANADA

TORONTO	Oct 25	Oct 22	Oct 21	Oct 20	1993 HIGH	1993 LOW
Metals & Minerals	2894.64	2898.72	3026.61	3034.58	3140.84 (18/6)	2743.31 (21/1)
Composite	4155.30	4153.80	4163.20	4182.20	4186.70 (18/10)	3275.80 (21/1)
MONTREAL Portfolio	1979.81	1976.82	1981.80	1983.18	1993.48 (18/10)	1726.87 (21/1)

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

	Oct 25	Oct 22	Oct 21	Oct 20	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	2046.9	2061.4	2060.4	2051.7	2085.50 (18/10)	1495.00 (13/1)
All Mining (1/1/80)	857.5	878.3	875.3	882.9	904.50 (2/8)	594.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	414.44	416.31	415.19	415.57	416.52 (19/10)	300.26 (14/1)
Traded Index (2/1/91)	1071.50	1074.58	1071.01	1072.80	1078.23 (19/10)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	1374.53	1373.71	1373.05	1373.15	1381.05 (18/10)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	347.12	346.56	343.58	348.66	347.12 (25/10)	261.90 (4/1)
FINLAND						
HEX General (28/12/90)	1556.0	1539.6	1516.2	1502.0	1558.88 (22/10)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	608.23	606.39	592.24	591.66	608.23 (25/10)	471.24 (13/1)
CAC 40 (31/12/87)	2227.73	2231.86	2189.72	2149.68	2231.86 (22/10)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	782.12	782.67	782.39	782.10	782.67 (22/10)	598.92 (14/1)
Commerzbank (1/12/53)	2269.2	2270.4	2241.0	2230.0	2270.40 (22/10)	1694.30 (14/1)
DAX (30/12/87)	2074.39	2066.17	2034.69	2042.56	2074.39 (25/10)	1516.60 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	8767.50	8719.32	8882.88	8902.88	9031.13 (18/10)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	(c)	1783.53	1788.90	1782.21	1788.90 (21/10)	1181.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	592.21	593.76	580.73	598.25	632.66 (30/8)	446.33 (6/1)
MIB General (4/1/93)	1303.0	1306.0	1297.0	1293.0	1390.60 (30/8)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20309.33	20264.83	20178.42	20173.42	21148.11 (13/9)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1669.44	1663.89	1645.56	1647.86	1698.67 (3/9)	1250.06 (25/1)
2nd Section (4/1/68)	2125.77	2153.32	2159.75	2183.65	2384.97 (7/9)	1651.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	930.49	934.11	937.09	922.95	937.09 (21/10)	614.36 (13/1)
NETHERLANDS						
CBS Tl.Rtn.Gen.(End 1983)	408.1	409.2	404.7	401.2	409.20 (22/10)	295.70 (4/1)
CBS All Shr (End 1983)	284.8	285.5	282.6	280.3	285.50 (22/10)	196.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	1022.82	1022.74	1017.29	1015.03	1022.74 (22/10)	668.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	2281.18	2280.99	2247.46	2205.78	2280.99 (22/10)	1270.66 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	552.93	551.88	553.44	552.19	555.87 (18/10)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1748.0♥	1718.0	1778.0	1771.0	2088.00 (30/7)	778.00 (5/1)
JSE Industrial (28/9/78)	4502.0♥	4485.0	4501.0	4511.0	4719.00 (8/7)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	742.45	736.28†	741.10	738.63	777.25 (9/8)	605.95 (6/3)
SPAIN						
Madrid SE (30/12/85)	308.61	310.28	305.18	303.31	310.28 (22/10)	215.80 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1410.0	1417.4	1411.3	1385.5	1417.40 (22/10)	878.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1148.91	1154.07	1147.39	1138.92	1154.07 (22/10)	804.88 (11/1)
SBC General (1/4/87)	909.81	913.23	907.74	902.85	913.23 (22/10)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	(c)	4052.36	3987.16	3958.32	5013.28 (7/4)	3088.43 (8/1)
THAILAND						
Bangkok SET (30/4/75)	(c)	1149.64	1153.32	1157.88	1160.95 (19/10)	818.84 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	605.8*	604.9	604.0	604.2	607.19 (15/10)	495.60 (13/1)
Euro Top-100 (26/6/90)	1172.06	1175.45	1167.50	1158.74	1175.45 (22/10)	862.73 (13/1)

**Saturday October 23: Taiwan Weighted Price; 4160.09, Korea Comp Ex; 738.28.
♥ Subject to official recalculation. † Correction. *Calculated at 15.00 GMT.

Base values of all Indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 20 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Monday, October 25, 1993

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	15.5m	349	+8
Fujitsu Ltd	5.3m	865	-9
Toshiba Corp	4.3m	713	+14
Mitsubishi Hvy	4.2m	691	+6
Kobe Steel	3.6m	296	-5
NKK Corp	3.6m	278	-3
Hitachi Zosen	3.5m	588	+3
Hitachi	3.4m	861	-2
Matsushita E Ind	3.0m	1,520	+30
Kawasaki Steel	2.8m	344	+5

4 pm close October 25

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.6	75	106	13⅝	13⅜	13½	+⅛
29⅞	13¾	A L Labs A	0.18	1.2	31	339	15⅝	15¼	15½	+⅛
67¼	54⅝	AMP Inc	1.80	2.8	22	1384	62⅝	62⅛	62⅝	-⅛
72¾	55½	AMR			53	2135	68⅛	66⅞	68⅛	+½
3⅞	1¾	ARX			13	294	3⅝	3½	3½	
51½	29⅞	ASA	2.00	4.3	30	443	46⅞	46	46¼	-¼
30¾	22⅝	Abbott Lab	0.68	2.4	17	5470	28⅛	27⅝	27⅞	+⅛
12⅝	8¼	Abitibi Pr	0.50	5.8	3	11	8½	8½	8½	+⅛
15⅝	8¼	Acpincain			46	14	14⅞	14⅞	14⅞	+⅛
36	25½	ACE Ltd	0.92	2.7		233	33⅞	33½	33½	-¼
12	10¾	ACM Gvt In	0.96	8.3		792	11½	11⅜	11½	
10	9⅛	ACM GvOpp	0.80	8.1		29	u10	9⅞	9⅞	
10	8¾	ACM Gvt Sp	0.80	8.1		92	9⅞	9¾	9⅞	
11⅝	10½	ACM Gvt Se	0.96	8.3		345	11½	11⅜	11½	+⅛
11¾	9⅝	ACM Man	1.08	9.4		209	u11¾	11½	11½	-¼
9⅜	8⅝	ACM Managd	0.72	7.8		86	u9⅜	9¼	9¼	
12⅜	7¾	Acme Cleve	0.44	4.2	13	29	10⅜	10	10⅜	+⅜
10	6⅜	Acme Elect			68	247	9⅞	9⅜	9⅝	+¼
27⅝	18⅜	Acordia	0.44	1.8	13	754	24¾	24⅝	24⅝	
16	10⅜	Acuson			36	595	13⅛	12⅞	13	+⅛
21¾	18¼	Adams Expr	0.48	2.5	0	197	19¼	19	19⅛	-⅛
68¼	45½	Ad Micro	3.00	6.1		39	49⅞	49⅜	49⅜	-¼
32¾	17⅝	Ad Micro P	3.00	15.3	7	8982	20⅛	19⅝	19⅝	-¼
7⅞	5½	Advest Grp	0.16	2.0	13	375	u8	7⅞	7⅞	+⅛
24¾	14¼	Advo Inc	0.08	0.5	70	973	14¾	14⅝	14¾	+⅛
51⅝	41⅛	Aegon ADR	1.23	2.4	10	26	51½	51	51⅛	+⅛
64⅜	43⅞	Aetna Ll	2.76	4.4	43	1117	63	62⅜	62⅞	-⅜
34	26½	Aflac	0.40	1.3	15	563	32⅛	31¼	31½	-⅝
22⅛	16¾	Ahmanson	0.88	5.0	7	4287	18⅛	17¾	17¾	-⅛
7¾	3⅝	Aileen Inc			4	85	3¾	d3⅝	3⅝	
48½	24⅞	Air Pr Chm	0.92	2.3	15	3561	39½	39	39⅜	-¼
27⅜	19⅛	Airborne Frt	0.30	1.0	39	6132	u30¼	27¼	30¼	+3
43⅜	18¾	Airgas Inc			43	338	40¼	38⅝	38¾	-2⅛

Continued on next page

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4 pm close October 25

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close October 25

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
ABS Inds	0.20	19	3	12	12	12	
ACC Corp	0.12	38	704	19½	17¾	18¾	-¾
Acclaim E		42	6585	26⅞	25¾	26¼	-1⅛
Acme Mtls		119	17	15½	14½	15½	+¾
Acxiom Cp		33	269	22½	21¼	21¼	-1¼
Adaptech		17	12320	u35⅝	34⅝	35⅛	+⅛
ADC Tele		35	262	38½	37¾	38½	
Addington		72	546	17¾	17½	17½	-¼
Adia Serv	0.16	16	72	21½	21	21	+¼
Adobe Sys	0.20	19	12481	22¾	21½	21½	-¾
Advance C		9	190	11¾	11¼	11¾	+¼
Adv Logic		4	231	3⅛	3⅛	3⅛	-⅛
Adv Polym		9	427	5¾	5⅝	5⅝	-⅛
AdvTchLab		48	713	16¾	16½	16⅝	+⅛
Advanta	0.25	23	1886	44¼	42½	43¾	+1
Affymax		15	203	16¾	16	16¾	
Agency Re		18	987	10⅞	10⅝	10¾	+⅛
AgnicoEa	0.10	80	2238	u14¾	14½	14½	
Akzo ADR	2.80	16	503	47⅞	47¼	47¼	-⅞
Aldus Cp		86	2712	23½	22¼	22½	-¾
Alex Bald	0.88	13	8542	23½	23	23¼	+¼
Allegh &W		17	100	8¼	8	8⅛	-½
Allen Org	0.48	15	25	31¼	30	31¼	
Allen Ph		7	679	10¼	9¾	10	+¼
AlldCapll	1.00	13	149	15¾	d15	15	-½
Alld Cap	0.80	11	128	12½	11¾	12½	
Aloette C	0.32	15	z100	6	6	6	
Alta Gold	0.08	3	363	1½	1 13/32	1½	
Altera Co		36	4455	28½	27¾	27⅞	-½

AMEX COMPOSITE PRICES

4 pm close October 25

AMERICA

US shares fall back on bond market losses

Wall Street

US share prices drifted in listless trading yesterday as further bond market losses undermined investor sentiment, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was 0.56 lower at 3,648.74. The more broadly based Standard & Poor's 500 was down 1.13 at 462.14, while the Amex composite was down 1.68 at 475.57, and the Nasdaq composite down 4.09 at 768.59. Trading volume on the NYSE was 143m shares by 1 pm.

Although investors remained generally optimistic about the economy, concern that stocks may be overpriced, with almost every major index at or near to its record high, kept demand in check yesterday.

Worries about rising interest rates – bond prices fell sharply for the third consecutive day, pushing the yield on the benchmark 30-year bond up above 6 per cent – also depressed stocks.

That the markets did not register bigger losses was due to some good corporate news in the form of the latest developments in the bid battle for Paramount Communications, and more positive data on the economy. The latest government figures showed that single-family home sales rose 2.6 per cent in September, which, along with other recent bullish data, led Mr Robert Reich, the labor secretary, to predict fourth quarter economic growth of more than 3 per cent.

On the corporate front, Paramount jumped $1¾ to $78⅞ in volume of 1.7m shares on the news that Viacom had matched the $4.8bn hostile offer for the entertainment group made by the hostile bidder QVC Network, and had begun a tender offer for Paramount stock at a price of $80 a share. The news left Viacom shares, traded on the American Stock Exchange, down $¼ at $59⅛ and QVC, traded on the Nasdaq market, down $1 at $54.

General Motors slumped $2⅛ to $43⅞ in volume of 3.2m shares after the Wall Street brokerage house, PaineWebber, lowered its rating on the stock from "buy" to "neutral".

Investors also seemed to be reacting negatively to the news that GM had agreed on a three-year contract with the auto workers union which gives the company more room to avoid paying laid-off workers but offers it little relief from pension and medical costs.

Both Chrysler, down $¼ at $53⅞, and Ford, $⅞ lower at $58⅞, fell in GM's wake.

Fresh rises in bond yields hurt bank and brokerage stocks. Chemical lost $⅝ at $41⅛, Citicorp dropped $⅝ to $36⅛, and Chase Manhattan gave up $⅝ at $33⅞, while Merrill Lynch fell $1⅛ to $92¼ and Morgan Stanley slipped $⅝ to $78⅝.

On the Nasdaq market, leading technology stocks fell, with Intel down $¾ at $63½ and Microsoft $1¼ lower at $79¼.

Canada

TORONTO was weaker at mid-session in quiet trading ahead of the close of polling in the general election. The TSE-300 composite index was down 6.18 at 4,147.63 by 1 pm in volume of 20.2m shares valued at C$213.7m.

Advances exceeded declines by 283 to 267, with 303 shares steady. Active issues included food services group Cara Operations, off C$0.20 at C$4.40.

SOUTH AFRICA

GOLD shares closed off intraday highs as the bullion price threatened to fall below $370 an ounce. The index ended 30 up at 1,746. The industrials index gained 7 at 4,502 and the overall index was 19 stronger at 3,891.

EUROPE

Profit-taking leaves most bourses slightly lower

PROFIT-taking brought bourses back from last Friday's heights, *writes Our Markets Staff.*

FRANKFURT consolidated after last Friday's gains, tilted down by slightly worse than expected inflation figures from Baden-Württemberg. The DAX index rose 8.22 to 2,074.39 on the session, but fell 9.23 from Friday's post bourse close; yesterday afternoon, the Ibis-indicated DAX eased another 13.21 to 2,061.18.

Turnover fell from DM11bn to DM8.4bn. Carmakers featured in the official session: Daimler, in spite of a Der Spiegel report of a DM3.9bn expected operating loss this year, rose DM5.50 to DM755; Volkswagen gained DM7.70 to DM397.50 after jobs cuts news over the weekend; and Porsche, up DM20 to DM775, took its gains to 20 per cent this month.

Mr Hans Peter Wodniok, head of research at James Capel in Frankfurt, said that Capel was still broadly negative on the sector; this included Porsche, although analysts are beginning to look at an earnings prospect of DM60 a share in three years' time as a result of cost cutting, and sales hopes for the new small Porsche model.

Other outperformers included Allianz, up DM41 at DM2,873, BHF Bank, DM10.50 better at DM536, and Hornbach, the do-it-yourself retailer, DM70 higher at DM1,850. Mr Wodniok noted that an analysts' meeting of Hornbach next week is expected to cover the flotation of its operating subsidiary; that, he said, could be the excuse for producing some surprisingly good figures.

PARIS ended moderately lower, off 4.13 at 2,227.73, after setting an intraday record high of 2,240. Turnover slipped back on the first day of the new account to FFr3.1bn from Friday's FFr6.3bn.

Synthelabo, the pharmaceuticals subsidiary of L'Oreal, was one of the most actively traded stocks following news that French regulators were to suspend authorisation of its anti-anxiety drug. The shares tumbled FFr18.40 or 7.4 per cent to FFr228.10, while those of L'Oreal lost FFr8 to FFr1,214. The drug, which has only been on sale in France, had been expected to contribute up to FFr170m to annual sales in 1993. Synthelabo has seen its shares fall back in recent weeks from a year's high of FFr262 set at the start of September.

Elsewhere Peugeot slipped FFr3 to FFr640 on news of plans for further job cuts within the group.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

October 25 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1380.47	1379.87	1379.24	1378.21	1379.15	1379.45	1379.29	1378.69
FT-SE Eurotrack 200	1444.60	1444.02	1443.96	1443.34	1441.98	1442.34	1442.57	1442.09

	Oct 22	Oct 21	Oct 20	Oct 19	Oct 18
FT-SE Eurotrack 100	1386.16	1365.45	1348.34	1346.27	1347.38
FT-SE Eurotrack 200	1447.89	1436.57	1422.07	1414.64	1418.14

Base value 1000 (26/10/90) High/day: 100 - 1380.78; 200 - 1446.40 Low/day: 100 - 1377.27 200 - 1439.93.

AMSTERDAM was slightly weaker following pressure on a number of major issues. The CBS Tendency index shed 0.6 to 136.5.

Chemical sector stocks continued to ease, with DSM down Fl 1.50 to Fl 99.70 and Akzo off Fl 3.50 to Fl 178.00. Goldman Sachs remained positive on Akzo in spite of a number of negative comments recently on prospects in this sector. The US investment bank commented that efforts to restructure and reduce costs are likely to provide resilience against a near term downside in the share price. The bank estimated earnings per share of Fl 20 by 1995, compared with forecasts of Fl 13.40 in 1993.

Wolters Kluwer, along with Heineken, was one of the day's gainers. The shares gained respectively 60 cents and Fl 2.30 to Fl 110.50 and Fl 198.50. Morgan Stanley came out positively on Wolters Kluwer as part of its strategic shift away from cyclicals and into defensive growth stocks, looking for an initial price target of Fl 115.

MADRID saw late institutional buying which left share prices above their worst on a day depressed by profit-taking after last week's rally.

The general index closed 1.67 lower at 308.61 in volume steady at Pta27bn. Among banks, Popular fell Pta320 to Pta17,180 after last week's UK tour; a James Capel sell note said that 1994 was going to be a very difficult year for most Spanish banks, and that Popular seemed unlikely to be an exception.

ZURICH heard its good news after hours, as CS Holding, the parent of Crédit Suisse, announced "significantly higher" third-quarter earnings. Before that, insurers had seemed more vulnerable than banks among Swiss financials during a general market consolidation, the SMI index falling 16.7 to 2,684.9.

OSLO was little moved by news of Norsk Hydro's better than expected third quarter results and the All Share index slipped just 0.63 to 608.88. Norsk Hydro shares rose NKr2.50 to NKr215.50.

ISTANBUL lost 1.7 per cent after the prime minister Mrs Tansu Çiller, replaced four ministers at the weekend. The composite index ended 251.6 lower at 14,069.3.

ATHENS fell 1 per cent after weekend announcements by the government that no interest rate cuts were likely in the short-term. The general index closed 8.44 lower at 845.97.

Written and edited by William Cochrane and John Pitt.

ASIA PACIFIC

Nikkei firms ahead of East Japan Railway listing

Tokyo

THE Nikkei average firmed ahead of today's listing of East Japan Railway, as financial institutions and public fund managers pushed up activity by trading large-capital issues, *writes Emiko Terazono in Tokyo.*

The 225-issue average gained 44.50 at 20,309.33. The index rose to the day's high of 20,473.85 in the morning on institutional buying. Selling by corporations and arbitrageurs briefly pushed down the index to the day's low of 20,271.83 in the afternoon.

Volume amounted to 300m shares, against 315m. Declines outnumbered advances by 634 to 387, with 175 issues unchanged. Dealers and institutional investors shifted funds from smaller stocks to large-capital issues to lift volumes. Indices of small-capital stocks lost ground, with the OTC Jasdaq average falling 1.98 per cent and the second section index losing 1.23 per cent.

The Topix index of all first section stocks rose 6.35 to 1,669.44 and, in London, the ISE/Nikkei 50 index edged up 0.86 to 1,313.23. Traders said most investors were wary of building long positions ahead of the JR East listing, while some corporate investors unloaded holdings to raise funds to buy JR East shares.

Mr Chris Newton at James Capel said investors would want to keep share prices steady during the initial period after the listing; but he added that expectations of poor corporate results due to be released during the next few weeks and bad economic figures would eventually trigger selling pressure.

Steels and shipbuilders were traded actively: Nippon Steel, the day's most active issue, rose Y6 to Y349 and Mitsubishi Heavy Industrial also gained Y6, at Y691.

The dollar's recovery against the yen helped export-oriented issues. Sony rose Y50 to Y4,950 and Pioneer Electronic advanced Y60 to Y2,860. However, TDK lost Y100 to Y3,820 on reports of poor earnings prospects.

Financials, including banks, brokers and non-life insurers, firmed on bargain hunting. Industrial Bank of Japan put on Y70 at Y3,410 and Mitsubishi Bank appreciated Y90 to Y3,180. Nomura Securities rose Y30 to Y2,030 and Tokio Marine & Fire moved forward Y30 to Y1,340.

In Osaka, the OSE average firmed 4.45 to 22,221.40 in volume of 27.4m shares.

Roundup

A MIXTURE of performances characterised yesterday's trading among the region's markets. Taiwan and New Zealand were closed.

HONG KONG rebounded from earlier losses to end higher on bargain hunting.

The Hang Seng index was finally up 36.28 at 8,755.60, after a fall of 94 points early in the session. Turnover shrank to HK$3.1bn from HK$5.5bn.

Among the major stocks, Cheung Kong finished 25 cents firmer at HK$33.50 and Jardine Matheson was ahead 50 cents at HK$70.

SINGAPORE firmed as recent gains were consolidated ahead of the listing of Singapore Telecom shares later this week. The Straits Times Industrial index added 12.49 at 2,102.58.

CWT Distribution, Singapore Technologies Industrial and IPC attracted interest on news that they would become component stocks of the index from November 2.

SEOUL was higher in moderate turnover, with Hanbo Steel and General Construction and Sammi Steel closing the day's limit up of Won600 and Won400 respectively at Won13,200 and Won8,650.

The composite index rose 6.20 to 742.48. Turnover totalled Won581bn.

MANILA's composite index fell back by 29.81 to 2,231.18. Philippine Long Distance Telephone and Manila Electric eased 20 and 7.50 pesos respectively to 1,850 and 290 pesos. Turnover dropped to 674.2m pesos from 1.2bn pesos.

KUALA LUMPUR saw most buying concentrated in second-line issues as falls in some major stocks dragged the composite index down 3.62 to 930.49.

Advance Synergy saw a day's high of M$4.04 as rumours persisted of an asset injection, before ending 28 cents up at M$3.78.

Total volume was 825m shares, against Friday's 760m.

AUSTRALIA lost ground on a weaker futures market and declines in a number of leading issues. The All Ordinaries index retreated 14.5 to 2,046.9 in turnover of A$306.8m.

BHP shed 22 cents to A$16.94 and News Corp 16 cents to A$11.16. Western Mining receded 12 cents to A$5.43, CRA was down 4 cents at A$15.36 and Lend Lease softened 2 cents to A$18.58.

There were mixed performances among the banks, with National Australia Bank down 12 cents at A$12.26, ANZ relinquishing 4 cents to A$4.03 and Commonwealth gaining 5 cents at A$9.90.

KARACHI added to its gains and the KSE index finished 15.72 higher at 1,501.40, recording another high for the year.

BOMBAY was firmer on the first day of the new account. The BSE-30 index climbed 16.22 to 2,737.98.

JAKARTA failed to be encouraged by measures aimed at deregulating the economy which were announced on Saturday. However, JP Steel rose Rp125, or 5.6 per cent, to Rp2,375 on expectations that there will be lower tariffs on iron and steel products.

The JKSE index finished 1.75 easier at 464.47.

Choosing between Germany and France

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1993	% change sterling † Start of 1993	% change in US $ † Start of 1993
Austria	+2.68	+10.61	+29.96	+32.68	+31.48	+27.91
Belgium	+0.61	+7.82	+25.85	+23.05	+16.00	+12.86
Denmark	+2.76	+6.70	+40.12	+36.78	+31.27	+27.72
Finland	+3.78	+15.27	+141.23	+97.00	+84.03	+79.04
France	+3.91	+6.06	+31.65	+23.54	+19.91	+16.67
Germany	+2.67	+9.64	+35.60	+33.44	+32.62	+29.02
Ireland	+3.25	+6.69	+56.03	+46.44	+30.44	+26.90
Italy	+2.21	-0.13	+57.44	+41.77	+33.28	+29.65
Netherlands	+3.91	+9.94	+36.70	+33.13	+32.18	+28.60
Norway	+3.27	+10.81	+53.15	+40.12	+36.57	+32.87
Spain	+3.22	+10.52	+58.43	+45.59	+28.02	+24.55
Sweden	+1.74	+8.93	+83.68	+40.87	+27.13	+23.68
Switzerland	+3.05	+9.18	+41.61	+30.16	+32.92	+29.32
UK	+2.46	+5.92	+23.09	+13.94	+13.94	+10.85
EUROPE	+2.80	+7.15	+33.42	+24.62	+22.48	+19.16
Australia	-0.67	+5.53	+36.54	+27.61	+27.70	+24.24
Hong Kong	+0.91	+16.09	+32.97	+56.68	+61.13	+56.76
Japan	+1.10	+2.69	+29.08	+26.96	+50.58	+46.50
Malaysia	+1.73	+14.41	+80.80	+72.31	+81.87	+76.95
New Zealand	+1.03	+8.84	+63.20	+41.21	+57.40	+53.14
Singapore	-1.40	+12.13	+77.31	+46.92	+57.49	+53.23
Canada	-0.23	+5.83	+19.30	+16.65	+16.87	+13.71
USA	-1.37	+0.95	+11.60	+6.08	+9.04	+6.08
Mexico	+4.30	+10.46	+28.70	+11.77	+15.20	+12.08
South Africa	-0.98	+5.53	+32.56	+23.93	+47.15	+43.16
WORLD INDEX	+0.53	+3.64	+23.28	+18.02	+25.10	+25.11

† Based on October 22nd 1993.

By William Cochrane

Investors plumped for Europe last week; according to the FT-Actuaries World Indices, it showed a gain of 2.8 per cent in local currency terms, and 7.1 per cent for October so far.

This compared with a rise of 1.1 per cent in Japan and a fall of 1.4 per cent in the US. Hong Kong had an average performance after starring with a gain of 8.6 per cent in the week before; Mexico relieved the North American tedium with a rise of 4.3 per cent.

The European week started well and took off again on Thursday when the German Bundesbank cut its discount and Lombard rates – the French equity market reacted most obviously, with the CAC-40 index ahead 2.3 per cent on the day. Germany picked up on Friday, but trailed on the week.

That set the stage for the renewal of the argument over which senior bourse to choose for recovery, Paris or Frankfurt. A top German equity salesman says that German institutions had been sceptical and English fund managers uninterested in German stocks, but that US investors were pouring money into the Frankfurt bourse.

Goldman Sachs looked at what it called the "French-German conundrum" towards the end of last week: Mr Sushil Wadhwani and Mr Mushtaq Shah said that, on most measures, the French equity market was significantly undervalued and the German market overpriced. "If interest rates were to fall to the 5 per cent area over, say, the next nine months in both countries, then," they said, "we could be very surprised if French equities did not significantly outperform the German market on a 12 to 15-month horizon."

Nomura's Mr Nicholas Knight, however, maintains his support for the UK, and gold: "The German and French equity markets have been looking for rate cuts all year," he says; "this development is in the price, and it is better to travel hopefully than to arrive."

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY OCTOBER 22 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY OCTOBER 21 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993 High	1993 Low	Year ago (approx)
Australia (69)	155.45	+0.0	156.46	106.32	135.37	154.41	+0.1	3.35	155.50	155.04	106.40	134.49	154.21	155.77	117.39	122.80
Austria (17)	179.28	-0.5	180.45	122.62	156.13	155.75	+0.2	1.01	180.10	179.56	123.24	155.76	155.40	184.47	131.16	151.77
Belgium (42)	150.36	-0.8	151.34	102.83	130.94	134.42	-0.2	4.28	151.50	151.05	103.66	131.03	134.69	156.76	131.19	139.07
Canada (107)	131.49	+0.8	132.34	89.93	114.49	124.20	-0.2	2.69	130.50	130.11	89.29	112.85	124.45	131.49	111.41	115.28
Denmark (32)	237.71	+0.2	239.26	162.58	207.00	217.26	+0.6	1.04	237.31	236.61	162.39	205.24	216.01	239.12	185.11	189.09
Finland (23)	124.63	+3.1	125.45	85.25	108.54	150.53	+3.2	0.69	120.89	120.53	82.72	104.55	145.88	124.63	65.50	63.08
France (98)	171.71	+1.3	172.82	117.43	149.51	157.57	+1.5	2.95	169.53	169.03	116.00	146.61	155.30	173.06	142.72	149.53
Germany (60)	134.23	+0.6	135.11	91.82	116.89	116.89	+1.3	1.82	133.42	133.02	91.31	115.39	115.39	136.13	101.59	109.49
Hong Kong (55)	347.31	-1.9	349.58	237.54	302.46	345.02	-1.9	3.01	354.10	353.05	242.29	306.25	351.64	357.10	218.82	258.20
Ireland (14)	172.30	-0.8	173.43	117.85	150.05	172.62	-0.5	3.25	173.75	173.24	118.89	150.27	173.45	174.50	129.28	134.39
Italy (70)	71.14	+0.0	71.61	48.66	61.95	85.60	+0.4	1.95	71.17	70.96	48.70	61.55	85.26	78.93	53.78	55.07
Japan (469)	153.87	+1.3	154.87	105.24	134.01	105.24	+1.2	0.78	151.92	151.47	103.95	131.40	103.95	165.91	100.75	105.94
Malaysia (69)	462.65	+0.0	465.66	316.42	402.88	453.83	+0.2	1.51	462.49	461.12	316.45	399.98	453.14	462.65	251.66	262.37
Mexico (19)	1846.96	+1.3	1858.99	1263.23	1608.39	6283.28	+1.3	0.78	1823.45	1818.04	1247.72	1577.01	6200.29	1846.96	1410.30	1436.52
Netherland (24)	194.70	+0.3	195.97	133.17	169.56	167.33	+1.1	3.27	194.06	193.48	132.79	167.83	165.58	195.17	150.39	156.19
New Zealand (13)	65.68	+0.7	66.11	44.93	57.20	62.57	+0.4	3.55	65.24	65.05	44.64	56.42	62.30	65.68	40.56	39.09
Norway (23)	182.98	-0.4	184.17	125.15	159.35	181.18	+0.3	1.41	183.64	183.10	125.66	158.83	180.71	185.10	137.71	139.06
Singapore (38)	326.93	-0.9	329.06	223.61	284.70	236.99	-0.7	1.43	329.83	328.85	225.69	285.25	238.63	332.55	207.04	184.95
South Africa (60)	212.02	-2.1	213.40	145.01	184.69	194.75	-1.1	2.72	216.59	215.94	148.20	187.31	196.93	218.72	144.72	154.70
Spain (42)	145.24	+1.3	146.19	99.34	126.48	147.34	+1.9	4.01	143.38	142.95	98.11	124.00	144.57	145.24	115.23	112.60
Sweden (36)	204.77	-0.5	206.10	140.05	178.32	244.18	+0.3	1.36	205.82	205.21	140.84	178.01	243.45	206.92	149.70	160.94
Switzerland (50)	146.14	-0.1	147.09	99.96	127.28	133.64	+0.4	1.62	146.29	145.85	100.11	126.53	133.14	148.18	108.91	111.76
United Kingdom (218)	191.06	-0.6	192.31	130.67	166.37	192.31	+0.4	3.72	192.17	191.60	131.48	166.18	191.60	193.97	162.00	170.74
USA (519)	188.93	-0.4	190.16	129.23	164.54	188.93	-0.4	2.73	189.75	189.19	129.85	164.11	189.75	191.56	175.38	168.99
Europe (749)	162.07	+0.1	163.13	110.85	141.15	155.59	+0.8	2.91	161.96	161.48	110.82	140.06	154.43	162.97	133.92	136.84
Nordic (114)	192.86	+0.1	194.11	131.91	167.95	200.50	+0.7	1.22	192.68	192.11	131.84	166.64	199.08	194.54	142.13	148.29
Pacific Basin (713)	160.99	+1.0	162.04	110.11	140.20	114.28	+1.0	1.05	159.41	158.94	109.08	137.87	113.19	168.80	105.89	111.13
Euro-Pacific (1462)	161.33	+0.6	162.38	110.33	140.48	130.84	+0.9	1.82	160.35	159.88	109.72	138.67	129.71	162.86	117.26	121.53
North America (626)	185.35	-0.4	186.56	126.79	161.44	184.51	-0.4	2.72	186.06	185.51	127.33	160.94	185.29	187.68	171.51	165.65
Europe Ex. UK (531)	143.25	+0.5	144.18	97.99	124.77	133.98	+1.0	2.39	142.55	142.13	97.56	123.31	132.65	143.73	112.51	116.40
Pacific Ex. Japan (244)	230.22	-0.8	231.72	157.48	200.50	212.64	-0.7	2.73	232.16	231.47	158.88	200.80	214.24	232.16	152.70	162.10
World Ex. US (1648)	161.94	+0.6	162.99	110.76	141.02	132.90	+0.8	1.85	161.01	160.53	110.18	139.25	131.82	162.89	118.51	122.47
World Ex. UK (1949)	167.87	+0.3	168.96	114.82	146.20	146.27	+0.4	2.01	167.39	166.90	114.55	144.79	145.76	168.66	134.22	134.03
World Ex. So. Af. (2107)	169.74	+0.2	170.84	116.10	147.82	149.96	+0.4	2.17	169.36	168.86	115.90	146.48	149.41	170.48	137.29	137.20
World Ex. Japan (1698)	180.35	-0.3	181.52	123.36	157.06	176.13	+0.0	2.77	180.82	180.28	123.74	156.41	176.17	181.53	157.47	155.04
The World Index (2167)	169.92	+0.2	171.02	116.22	147.98	150.38	+0.4	2.17	169.58	169.07	116.04	146.67	149.85	170.68	137.32	137.22

Constituent change 25/10/93: Name change: Price Co. to Price/Costco (USA). Latest prices were unavailable for this edition.

FINANCIAL TIMES SURVEY

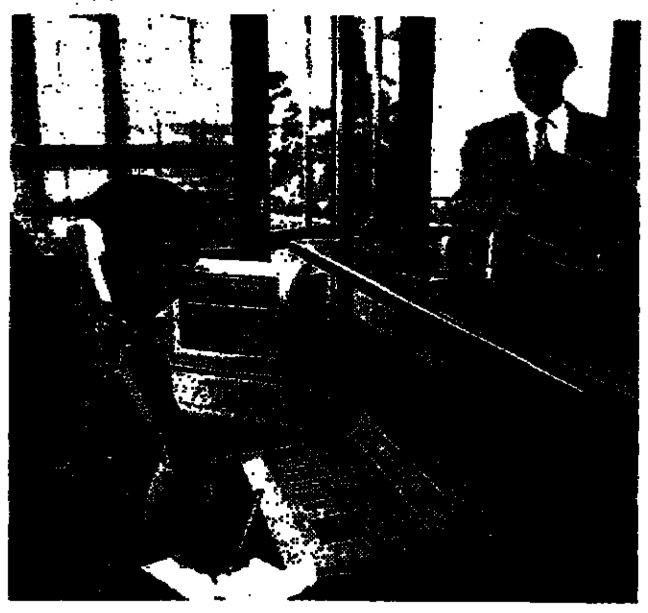
TECHNOLOGY IN THE OFFICE

Tuesday October 26 1993

☐ Business-driven features: pictured, far left, is a PC-based client/server application to take the heat out of the budgetary process at every level, using the "Commander Budget" system from Comshare, a leading managerial applications provider.

☐ Pictured, near left, is an NCR document management and workflow system in use at General Accident's offices at Bishopbriggs, near Glasgow. See report on workgroup computing and document image processing, pages 6-7.

☐ Pictured, right: at a hotel in India, the Alcatel 4300 office switching system, showing the operator's console and computer interface. See pages 2-6, for advances in office communications.



IN THIS SURVEY

Editorial production: Michael Wiltshire

A revolution on the desk-top

Networks of powerful personal computers and workstations, along with cordless telephony and data systems, are transforming the way that companies operate, reports Paul Taylor

TECHNOLOGY and the office are inextricably intertwined. Without the telephone and keyboard there would be no modern office, and without the office there would be a much smaller market for technology.

The modern office has evolved over the last 150 years, aided by technological breakthroughs like the development of the telephone in the 19th century. However, the pace of change has accelerated dramatically over the past 15 years.

Since the late 1970s, digital technology has transformed the way information is collected, analysed, manipulated, transmitted and stored.

It has not led to the creation of the "paperless office" as some had predicted. Nevertheless, it is making possible the closer integration of data processing and telecommunications.

Perhaps the most dramatic change has been the arrival of the personal computer on to the office desktop. Increasingly these PCs are hooked together into networks in order to share data and digital peripherals, such as printers.

This step has put the power of yesterday's mainframe computers at the disposal of most office workers in a process which has become known as "downsizing", or more recently "rightsizing" – to acknowledge that the mainframe or departmental mini-computer can still play a crucial role, especially where large databases are involved.

There is no doubt that the computer has changed the way business is conducted. As IBM, the master of the mainframe, is keen to point out, if all the automated financial transactions in the UK, including direct debits, were handled manually it is estimated that 72,000 extra banking staff would be needed.

Similarly the Driver and Vehicle Licensing Agency in Swansea holds over 60m records on its mainframe computer. Normally the agency returns documents within three days of receipt, but if each file were checked manually it would take 114 years.

However, as a recent joint report from IBM and the Cranfield University management school confirmed, chief executives are not concerned about the type of computer "platform" used in their business, "they want solutions, not boxes".

What matters increasingly is how technology is used and, in particular, whether it enhances competitive advantage and contributes to cost savings and greater efficiency.

For example, one of most often quoted statistics in the telecommunications industry is that more than two thirds of business telephone calls fail to reach their intended target.

One possible solution to this problem would be to introduce cordless office telephone lines and handsets. Indeed, GPT Communications Systems, Northern Telecom and Ericsson have all recently launched cordless PBX systems in Europe.

Ericsson, whose system is based on the digital European cordless telecoms (Dect) standard is predicting that the cordless PABX will "revolutionise office communications during the 1990s".

The Swedish company expects the global market for cordless PABX extensions to be worth some $5bn a year by 1998, while some independent analysts have predicted that cordless extensions will account for a third of the market for all business telephones by the end of the century.

IN time, Mr Chris Gare, Mercury's manager of strategic technologies, believes cordless office-based telecommunications systems will be integrated with other digital telecommunications services including personal communications networks (PCNs), such as Mercury's One-2-One service in the UK and the next generation of personal digital assistants, (PDAs).

Within the office, wireless local area networks linking desktop computers, workstations and other devices, without the need for fixed cabling have been launched by both NCR and Motorola.

Such developments raise questions about whether a centralised office structure will be needed in the future at all, or whether virtual private telephone networks and other advanced facilities, such as desktop video-conferencing systems, will enable office staff to be dispersed – or even to work from home.

"Demand for cordlessness will result because the technology facilitates many of the changes that are already gathering momentum," says Philip Ross, head of research at the Business Design Group consultancy in London.

"Flexibility and mobility will become the imperatives of the 1990s and the freedom that cordless telephony and data transfer allows can only accelerate this process as we move towards the virtual office."

Mr Ross argues that organisations are already moving towards greater flexibility as they "downsize", contract out services, and use consultants and part timers.

"We will see the emergence of a "virtual office", more akin to a hotel, where individuals have flexible space where and when they need it; sharing facilities," he predicts.

Networks of smaller and more powerful workstations, linked to central databases are predicted in a new study by architects DEGW and the Building Research Establishment.

"Many of the problems associated with the introduction into offices of the first wave of distributed intelligence will be overcome. Workstations will be freed from the locational constraints of the traditional office," says the report.*

Already a growing number of businesses are using cellular telephony, portable computers and mobile data networks to exchange information between a central office database and employees while they are on the move. Business customers are also integrating their PC networks and telecoms to take advantage of value-added network services, such as electronic mail and electronic data interchange (EDI), which can remove the need to send and receive standard paper forms such as invoices, orders and bills.

DESPITE the advent of EDI and other office technology, about 95 per cent of information used in the office is still stored on paper, rather than electronically. Indeed far from dispensing with paper, office employees are handling ever increasing volumes of it.

At one organisation interviewed as part of a 1992 study by management consultants Touche Ross, the 2,000 staff dealt with 45 tonnes of incoming mail a year, and 48 tonnes of outgoing mail – equivalent to generating 25kg of paper per person.

The study also shows a dramatic growth in the use of electronic data, and a clear trend towards optical storage.

New hardware such as digital optical scanning, storage and retrieval devices and CD-Rom systems have begun to appear in the office, but so too have paper generators like high-volume electronic demand printers which link directly to computers and digital copiers which scan a hard copy once before reproducing multiple copies.

Indeed, office-based electronic printing is becoming increasingly sophisticated. For example, earlier this year Indigo, a small entrepreneurial Israeli company, demonstrated the first high quality colour digital offset press, which it described as "the marriage of offset printing and digital imaging."

The development of digital offset colour mirrors developments elsewhere in the office where previously unconnected pieces of electronic hardware are becoming integrated.

For example, multifunction digital devices which combine some or all of the features of a facsimile machine, photocopier, laser printer and scanner have begun to appear and

Continued on next page

TECHNOLOGY IN THE OFFICE 2

Joia Shillingford looks at developments in office communications

How today's telephones limit tomorrow's technology

CORDLESS phones have begun to make an impact in the home. But traditional PABXs still dominate the office. Ian Garcia, marketing communications manager at GPT, says: "Cordless PABXs will never be the norm in business; but they are essential for managers who spend 50 to 60 per cent of their time away from their desks."

Factory managers at Wavin Industrial Products, a maker of plastic pipe and fitting systems, are testing GPT software which adds cordless communications to their standard PABX. Now the managers use cordless handsets to make and receive calls from the factory floor, where they spend much of their time.

Cordless phones also have a place in the "virtual office," like one run by Digital Equipment in Sweden. Here no-one has a permanent office, but desks and computers can be booked as and when they are needed. Cordless PABXs are ideal in this environment because the switchboard operator doesn't need to know where people are to put a call through. *(see article on facing page).*

Despite the benefits, take up of cordless PABXs has been slow. Keith Mallinson, director of research at the Yankee Group Europe, says: "This is starting to change with the launch of new products from Northern Telecom and Ericsson."

There are two main types of cordless technology – CT2 (cordless telephony 2) and DECT (Digital European Cordless Telephony standard). Northern Telecom and GPT both sell products which are developments from the CT2 standard, used in the UK Rabbit wireless phone network.

Ericsson prefers DECT, which is backed by Etsi, the European Telecoms Standards Institute. Mr Mallinson believes there is room for both technologies and that the market will grow – "between 10 and 20 per cent of office workers could be using cordless phones by the end of the century," he says.

However, in the longer term, he believes that improvements to the interface between humans and phone networks will have a more significant effect on the way phones are used in offices.

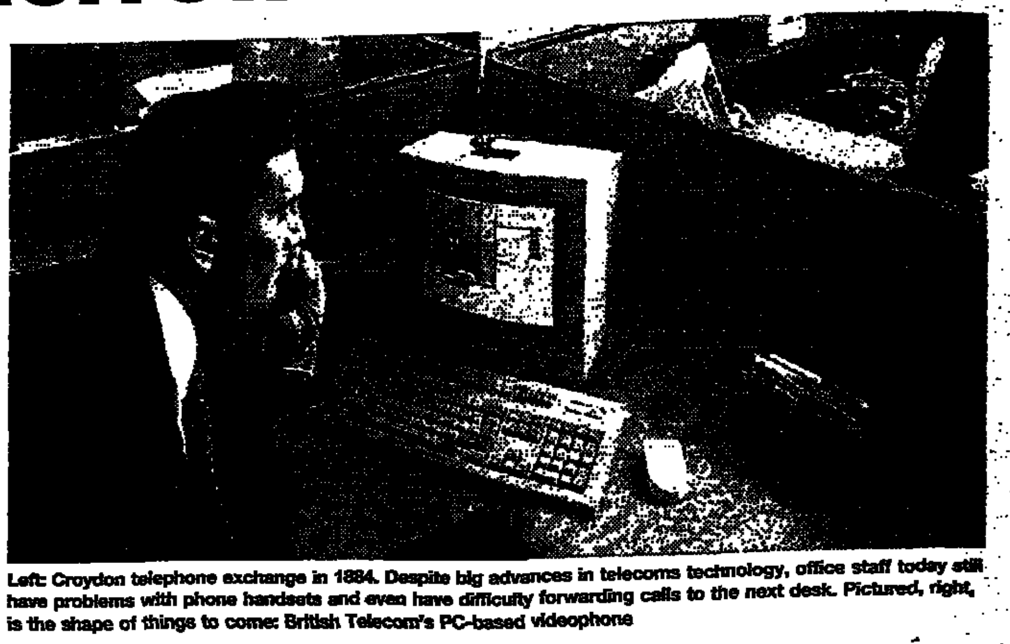
Horrendous handsets

Telephone handsets seem easy to use so long as you only want to dial a number. But many people even have difficulty forwarding a call to a nearby desk. In fact, if you try to set up a conference call on a PABX or want to use BT's Star Services (such as Charge Advice), you will need a good memory for weird combinations of buttons, numbers and symbols. The poor interface between phone user and network will become even more apparent when the next generation of phone services, such as Selective Call Barring, Selective Call Forwarding, and display of Caller ID, become available. Some believe that phones should be controlled by the user's personal computer. But many will find this a turn off. In the meantime, "screen phones" are being developed to fill the breach. These consist of a handset linked to a small liquid crystal display. The challenge for the telecoms industry is to make them as easy to use as through-the-wall cash machines or ATMs.

There are several screen phones available, (mainly in the US) including models from AT&T, Northern Telecom and Philips. Some have keyboards; others are operated by buttons near the screen.

Widespread use of screen phones is some way off; use of enhanced network services is much closer. This month BT begins trials in Perth, Scotland, of Caller ID equipment (which displays the caller's phone number) and Caller Return services.

Caller Return means that if the phone stops ringing before you get to it, you can find out the caller's phone number by pressing a few buttons. If the six-month trials are successful, BT will offer the services to phone users nationwide next year. Another kind of enhanced service is available to business users over the public phone network. Called Centrex, this is essentially a substitute for having an in-house PABX. It uses the intelligence in digital exchanges to offer PABX-like features. In the past, these services have made very little headway but they now have some high profile customers such as Daiwa Bank which uses Mercury's Centrex service.



Left: Croydon telephone exchange in 1884. Despite big advances in telecoms technology, office staff today still have problems with phone handsets and even have difficulty forwarding calls to the next desk. Pictured, right, is the shape of things to come: British Telecom's PC-based videophone

Virtual private networks

Instead of (or as well as) replacing the PABX, it is possible to replace a private telecoms network with a Virtual Private Network, (VPN).

A VPN is essentially a substitute for a network of leased lines. Telecoms carriers which sell VPNs argue that they offer the same service levels as private networks at a lower cost because they can carry several company's data at the same time.

In the US, the market for VPNs is worth several billion dollars and has helped to take traffic off private networks and give it back to the telecoms carriers. European telecoms carriers hope that VPN will do the same for them. One advantage from the carrier's point of view is that VPNs enable them to offer a greater variety of different tariffs than is possible under traditional tariffing regulations. It is early days for European virtual private networks but they are already attracting customers like Barclays Bank.

Race to offer telecoms 'outsourcing'

VPNs usually form part of the portfolio of services offered by telecoms suppliers which want to win telecoms outsourcing (or managed network services) business. Telecoms outsourcing involves taking over the management and day-to-day running of a company's telecommunications network.

Sometimes the network is already in existence. Sometimes the telecoms company expands it or builds a new one, often making use of its own voice and data networks.

Jonathan Crane, president of MCI National Accounts, says the global network outsourcing market is geared primarily towards the estimated 2,500 multinational corporations in the world that have extensive communications networks spanning the globe.

These have to deal with a multiplicity of telecommunications carriers and bills in a variety of currencies. They therefore have much to gain from handing over their networks to a third party.

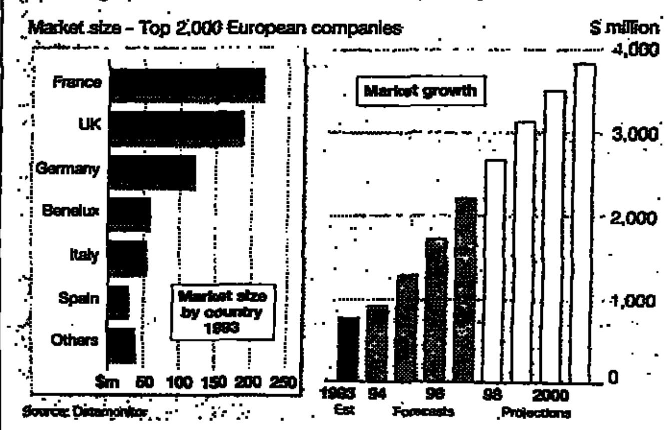
A bigger incentive, however, is the potential for cost reduction. For example, US bank J P Morgan expects to save $12.5m in operating expenses through its $20m five-year contract with BT and could save more from its $80m contract with MCI/Infonet.

MCI, now in a joint telecoms outsourcing venture with BT, estimates that the global network outsourcing market is worth $5bn a year with annual growth of 15 to 20 per cent. Fears about quality of service prevent the market from growing any faster, reflecting the conservative nature of office communications.

□ *The writer is editor of the FT newsletter Business Computing Brief.*

□ *"Beyond plain old telephone services: the future of circuit-switched services" is available from the Yankee Group Europe on (UK): 0923 246511.*

Managed data network services



FORECAST OF GROWTH IN TELECOMS

Leading telecom markets in the Asia-Pacific region

Country	Phone lines per 100 of the popn. in 1991	Phone lines per 100 of the popn. by year 2000	Line growth 1992-2000, in thousands
Japan	45.4	59.2	20,000
Australia	46.4	54.1	2,500
South Korea	33.7	48.4	8,000
India	0.7	2.1	15,000
China	0.7	2.3	20,000
Kong Kong	45.9	64.9	1,500
New Zealand	44.2	58.2	500
Singapore	39.9	57.1	600
Indonesia	0.7	2.1	3,000
Thailand	2.7	8.6	4,000
Malaysia	9.9	29.1	5,000
Philippines	1.0	3.0	2,000
Pakistan	1.0	2.5	3,000
Sri Lanka	0.7	2.4	300

□ While offices in the developed world are spoiled for choice with technical advances in communications, many other regions of the world are racing to catch up in terms of basic telephone connections. In particular, the dynamic economies of the Asia-Pacific area will experience rapid growth in telecom service revenues in this decade, as this table indicates. Similarly, Latin America shows strong demand for telecom modernisation.

□ Meanwhile, the success of mobile communications supports the 'leapfrog' theory that areas such as eastern Europe may skip generations of telecom development and leap to the latest technology. *Source: FT Telecoms Market Newsletter.*

Technical advances are reshaping the office

Continued from previous page:

fax and other communications capabilities are being built directly into personal computers and office networks, removing the need for paper printouts entirely.

Technological improvements, dial-up high-capacity digital telephone lines and tumbling equipment prices are also beginning to make video-conferencing a real option for a much broader group of companies.

Already, the first desktop video-conferencing systems, usually using a card plugged into a PC and a small video camera, have begun to arrive.

Some computer companies – including Olivetti, Europe's largest PC manufacturer – have developed systems designed to integrate data processing and video-conferencing into a single desk-top unit.

In order to deliver multimedia services such as real-time video, graphics and data across a personal computer network, new high speed, high capacity packet-switched technologies, such as ATM (Asynchronous Transfer Mode), have been developed.

These technical advances will further erode the distinctions between traditional computer companies and service providers such as telecommunications network operators. They also underline the growing importance of software and services.

The shift of computing power on to the desk-top has already had dramatic repercussions for the traditional computer hardware vendors which have been increasingly forced to respond to shrinking margins by trying to provide their office customers with higher valued-added services, such as system integration and facilities management.

At the same time, the advance has turned Intel, whose chips power most PCs, and Microsoft, which dominates PC-operating systems and software applications markets, into household names.

Where these dynamic forces reshaping the office are all leading is the subject of much speculation. Gazing into his crystal ball, Philip Ross of Business Design predicts that over the next few years, as the various technologies in computers, media and communications converge, office workers will be allowed a greater degree of flexibility and freedom to choose where, when and how to work – "the office of the future will be a very different place," he says.

**'The Responsible Workplace,' a study by DEGW and the Building Research Establishment, sponsored by Steelcase Strafor. Details in the UK on 0753 680 200*

Paul Taylor highlights advances in mobile communications

Cordless market has big potential

THE invention of the telegraph in America in the 19th century enabled the office to be separated from the factory for the first time. Since then, the telephone in its traditional guise, has played a central role in most businesses.

But while the fixed wire telephone freed the office from the production process, it has tied the office worker to the desk. Now the introduction and rapid growth of mobile and cordless telephony promises to untether the telephone and the telephone user.

"At the moment, telephones in the office are linked to desks, computers are connected together in local area networks and 80 miles of cable snakes round an average office building," says Philip Ross, head of research at Business Design Group, a UK-based design consultancy. "People work in the same location every day because communications are fixed between physical places."

However, radio telephony is beginning to challenge these restrictions. PABX manufacturers like GPT Communications Systems are already supplying systems which support cordless handsets within the office.

GPT's iSDX 100 system, which was launched earlier this year, is based upon the same digital CT2 technology as telepoint systems like Hutchison's Rabbit service in the UK and is designed for small to medium-sized businesses. Canada's Northern Telecom has launched a similar system called the Companion 100 which is also available from BT.

Market analysts believe that the global market for cordless PABX extensions will be worth about $5bn a year by 1996, buoyed by the adoption of the digital European cordless telecom standard

Aside from providing the benefits of mobile telephony within an office, these systems also enable new staff members to be accommodated with the minimum of inconvenience. However, rival systems based on a European cordless standard called Dect (Digital European Cordless Telecommunications) are beginning to appear from companies such as Ericsson, Phillips and Alcatel which claim that the system has advantages over CT2, particularly for heavy use within office buildings.

Ericsson, which has just launched its Freeset system in Europe, acknowledges that the cordless PABX market has been slow to develop so far, but nevertheless expects the global market for cordless PABX extensions to be worth about $5bn a year by 1996, buoyed by the adoption of the Dect technology standard.

"Dect is by far the best technology for cordless PABX systems," claims Hans van der Hoek, Ericsson's sales and distribution manager for Freeset, "apart from being a mandatory standard within Europe, only Dect has the capability to create offices in which almost everyone uses a cordless phone."

While CT2 and Dect can provide mobility for voice telecommunications within the office, other solutions are required once the executive, sales representative or engineer travels out of the office.

The past 18 months has seen the launch of the second generation of mobile telecom networks in Europe based on digital rather than analogue technology. These new digital networks promise to deliver a wide range of sophisticated new voice and data services for those on the move.

By the end of this decade, half of all telephone calls worldwide are expected to originate or terminate on a mobile phone – and a growing proportion of those telephones will be operating on the new digital technology which boasts some advantages over older analogue systems.

Among these, digital mobile telephones can provide more reliable, clearer and more secure telecoms – although at least for the moment these usually have to be offset by higher equipment costs.

Europe has taken the lead in the switch to digital systems spurred by the adoption in the mid 1980s of a pan-European digital telecommunications standard called GSM (Groupe Speciale Mobile).

The first GSM networks were launched 15 months ago and all the leading European Community states apart from Spain now have them in operation. By the end of this year Dataquest, the market research organisation, has forecast that there will be 1.1m digital subscribers in Europe, growing to 8.31m by the end of 1996.

In the UK, Vodafone's GSM network is already operational while Cellnet plans to launch its system early next year, initially on a regional basis. Vodafone has already has reached GSM roaming agreements with a number of overseas network operators which enables GSM subscribers carrying their personal smartcards which slot into GSM handsets to make calls using a GSM phone anywhere in Europe.

Vodafone has also launched a second national digital service called MetroDigital which exploits GSM technology but provides lower cost local calls and could prove particularly popular with business customers in urban areas.

Meanwhile, the first PCN (Personal Communications Network) service, dubbed One-2-One, was launched last month in the London area by a joint venture of Mercury Communications and US West. Initially its coverage is confined to the M25 area around London, but coverage will expand rapidly.

Like MetroDigital, One-2-One is targeted mainly at urban customers who require a high quality digital service outside the office or home. Next April, a second PCN service is due to be launched in the UK by Hutchison Microtel, a subsidiary of Hutchison Telecom and elsewhere in Europe, PCN services are likely to be developed in Germany, France and Spain.

Another advantage of these new digital mobile services is that they are also easier to integrate with fixed telecommunications and data processing equipment and enable network operators and others to provide a wide range of value added customer services like messaging services and data transmission.

Continued on next page

Freeset, in use here, is claimed to be the first large-scale business cordless phone system from Ericsson to meet the new digital European cordless telecom (DECT) standard

■ VOICE MESSAGING SYSTEMS

Ways to avoid 'the voice mail jail'

FIFTY per cent of all calls made are for one-way communication only, but they often interrupt work which is more important than the call itself. So says Nigel Harte, business manager for voice products at Mercury Communications.

Irritation at these interruptions is helping to increase the take up of answering machines, voice messaging and voice processing. The latest models of answering machine come complete with cordless phone, and some provide an electronic handshake between base station and handset for extra security.

Cordless answering machines are expensive. In the UK, Dixons, the high-street electrical retailer, sells two models: one from South Western Bell for £149.99 and one from Panasonic for £179.99. This compares with £29.99 for its cheapest non-cordless machine from Betacom.

On standard answering machines, popular features include automatic dating and timing of messages (by a computer-generated voice), the ability to switch the machine on remotely, and "toll saver", available on Panasonic's £59.99 Easa-Phone and some others. If the Easa-Phone does not pick up the call on the fourth ring, the owner should hang up because there are no messages.

□ Backlash against voice messaging: For the corporate environment, voice messaging systems offer many more features than answering machines. But all too often they are implemented using the answering machine as a model.

In the US, this has led to something of a backlash against voice messaging. For example, the chief executive of First Union Corporation, made news when he sent a memo banning his company's voice messaging system after his call to a senior manager was greeted with a recorded message. His memo won applause from employees who also hated the system.

Since then, the voice messaging industry has taken steps to make sure the systems are used more effectively. In July 1992, leading voice messaging manufacturers and service providers (including AT&T, British Telecom Mobile, Octel Communications Corporation and VMX Inc.) formed the Voice Messaging Educational Committee, (VMEC); and this year the committee has published a US market survey *Voice Messaging: a vital link in Business Communications* and a booklet on voice mail etiquette.

At their simplest, voice mail systems allow callers to leave a message if the person they want to talk to is not available. By dialing the appropriate voice mailbox number (and a code), users can play messages back, or forward them to another mailbox. But if a voice messaging system is poorly implemented, the customer may simply get passed from voice mailbox to voice mailbox, or from menu of options to menu of options. This frustrating state is known as "voice mail jail" because the caller feels trapped in the system.

The etiquette guide suggests: "Tell callers how they can easily reach someone 'live' if their call is urgent." In fact, the current trend in the US is to use the systems to augment the work of humans, rather than as an excuse for firing the receptionist.

If a voice messaging system is poorly implemented, the frustrated customer may simply get passed from voice mailbox to voice mailbox, as if trapped in the system

There are two main types of voice messaging system: public services (sometimes linked to a special voice mail phone number) offered by telecoms carriers such as British Telecom and Mercury; and premises-based systems, where a company buys voice messaging equipment for use with the in-house phone system.

Researchers BIS Mackintosh say there will be 1.4m public voice mail users in Europe on fixed and mobile systems by the end of the year, rising to 5.4m in 1997. Meanwhile, premises-based systems have grown 70 per cent a year between 1991 and 1993.

In the UK, the profile of public voice messaging is increasing, largely because cellular phone operators, such as Cellnet, Vodafone and One-2-One (from Mercury), provide voice mailboxes linked to users' mobile phones.

□ Visual voice mailboxes: As well as spreading to mobile phone users, "voice messaging technologies are moving to the desktop and becoming integrated with other forms of communication, such as electronic mail and fax," according to Elaine Cascio, a consultant at US voice systems consultancy Vanguard. For example, products are emerging which allow a list of voice messages to be viewed on a personal computer.

Particular messages can then be selected and played back on the PC (if it has voice capabilities) or through the phone. Suppliers which have (or are developing) integrated products for the desktop include VMX, Octel Communications, C3, Applied Technology, Active Voice and Converse.

Apart from voice messaging, there are two other types of voice system: audiotex (used for 0898 recorded information, such as racing results) and voice processing (or interactive voice response).

Voice processing is the type of technology used in telephone-based home banking systems. It might, for example, prompt the user to "press 'one' to order a cheque book, press 'two' for your bank balance."

In essence, these systems link a voice interface to a computer database. They allow customers to input and retrieve information using a touch-tone phone.

The technology is often used in financial applications. In the US, it is also used extensively to order goods publicised on the QVC home shopping channel.

In fact, QVC's system, Tootie, has done a lot to expose consumers to voice response. Interest is growing in Europe too. Cascio says US voice response suppliers are experiencing 57 per cent growth in Europe, with much of this growth coming from pc-based or client-server systems.

□ Integration with fax: According to Robin Scurlock, head of BIS Mackintosh's messaging programme, one of the main drivers in the voice systems market is integration with fax.

For example, Octel Communications sells a fax store- and-forward product in the US which enables a caller to a voice mailbox to leave a voice message as well as transmit a fax into the mailbox (where it is stored on disk). The voice message can be collected in the usual way and the fax can be routed to a nearby fax machine by using the phone handset to give details of the fax number to the mailbox.

Integration is also evident in fax-on-demand products which enable users to phone a supplier, use touch tone prompts to indicate which product/service they are interested in, and then key in their fax number to get the details faxed to them.

Companies using fax-on-demand in the UK include Compaq and Advanstar, organisers of the recent "Voice '93" show held in London. And in the US, there are many bureaux that use fax-on-demand technology to send out companies' brochures, charging on a monthly or per item basis.

Fax-on-demand could be the ideal form of one-way communication. No-one gets interrupted and the fax starts to be sent before the caller puts down the phone.

Joia Shillingford

□ *Copies of "Making the most of voice mail," a guide to voice mail etiquette, are available from any VMEC member-company or from Vanguard Communications on (US): 201 605 8000.*

A SERIES of technological innovations beginning in the early 1980s ushered in the age of corporate two-way video-conferencing.

The Gulf war in 1991 gave the medium a substantial boost as large companies, particularly in the US, turned to interactive video-conferencing rather than risk the threat of terrorism.

Since then more compact, higher quality and cheaper systems have helped turn video-conferencing into an indispensable communications tool for many companies, government organisations and others.

Now the first desktop personal-computer based video- conferencing systems have begun to appear and promise to transform office telecommunications in the late 1990s.

Corporate converts to video-conferencing already include most of the Fortune 500 in the US and many large national and multinational companies in Europe.

Cost-savings on business travel are one of the main reasons why corporate users are turning to video-conferencing. For example. British Aerospace claims it saved 980,000 on the cost of time and travel in the first year of ownership of two video-conferencing installations. Similarly, Rank Xerox calculated that it saved £2,700 per video-conferencing hour after installing equipment at its Welwyn Garden City site to link with seven of its sites in the US.

Customers also report that video-conferencing can boost productivity, improve internal communications and enhance competitiveness.

Estimates for the size of the world-wide video-conferencing market vary widely. There is, however, general agreement that the market is growing quickly and that this growth is set to accelerate over the next couple of years.

North America is expected to remain the largest market accounting for up to 60 per cent of the total. Within Europe, the most developed markets are the UK, Germany and France, according to figures from Ovum, the telecommunications consultancy.

At the heart of all video-conferencing systems is the video codec (coder-decoder) – the component that converts video pictures, sound and control information into a compressed digital form ready for transmission and reception over digital telecommunications lines.

Video-conferencing moves out of the boardroom and into the office: shown here is a dial-up transatlantic video-conference on a system from PictureTel Corporation's European centre at Maidenhead

■ VIDEO-CONFERENCING

The promise of cost-savings

Greater silicon integration has enabled codec manufacturers to produce more compact systems at lower costs. This in turn has fuelled increasingly fierce competition between the system manufacturers and is one of the main driving forces behind the falling system prices and market growth.

Another important factor which has helped boost equipment sales recently has been agreement on video compression and other world standards by the Geneva-based grouping of telephone companies, the CCITT. These standards have been adopted by all the leading codec manufacturers and ensure inter-operability between systems.

THE leading video codec manufacturers include US-based market pioneer Compression Labs (CLI) which introduced the first commercially successful codec in 1982, its main rival, PictureTel, and Videotelcom (Vtel). European suppliers include BT and GPT.

The market for video-conferencing equipment divides into three main segments according to Mr Mike Newman, managing director of Internet Videocommunications, the Bristol-based video-conferencing specialist and CLI's distributor in the UK. These are:

- Large group or studio systems usually installed for use by between six and 10 people at each end. These bespoke studio systems cost from about 30,000 upwards and are the oldest segment of the market – they are the systems which have typically been used by senior executives in large organisations. Although they will remain an important part of the overall market, growth will probably not be as spectacular as that of smaller systems.
- Small group systems, suitable for up to four people at each end. These compact or cabinet systems first appeared in the late 1980s and usually come on wheels so they are also called "roll-around", "roll-about" or mobile room systems (MRS).

They represent a second generation of video-conferencing products made possible by the reduction in size and cost of equipment and are likely to be the fastest growing segment of the market over the next few years.

For example, CLI's Eclipse system launched in February costs under $20,000 for a complete fully-assembled and ready-to-plug-in system including overhead graphics and other features until recently only found only on studio systems.

- Desktop or personal video systems provide one-to-one video-communications usually by adding a video camera and a plug-in video card to a personal computer attached to a digital telephone line or office network. CLI's Cameo Personal Video System, launched last year, is one desktop option and several others are under development.

For example Olivetti, Europe's largest PC manufacturer, working with BT over the past two-and-a-half years, has developed the personal communications computer (PCC). The PCC integrates the functions of a video telephone with mainstream computer applications and can transmit voice, video, data, text, and graphics over a single ISDN line.

Mr Mark Churchward, divisional manager in Olivetti's UK document management division, says with confidence, "video on the desktop will revolutionise the way offices work." Certainly most analysts believe that by the mid-1990s, desktop video will become the fastest growing segment of the video-conferencing market.

"A lot of products are emerging from the development stage," said Ms Heide Aghnami of Dataquest, "desktop systems really have a very good chance of success if you imagine the number of PC users in Europe."

Datapoint, another US codec manufacturer, has taken another, highly integrated, approach to providing video on the desktop by combining the functions of a PC and a video-conferencing system into a single workstation called Minx Link which can either work on a point-to-point basis or be booked up to a local video network to provide multipoint video-conferencing.

Analysts are much less enthusiastic about the short-term prospects for the small-screen video-phones - dubbed "granny phones" – which are already on sale in a number of countries. Most see them developing mainly as a consumer electronics product rather than a business system and even then do not foresee substantial sales until prices come down considerably and picture quality is improved.

In contrast, equipment suppliers say that interest in full video-conferencing systems in has never been stronger.

"Prices of equipment are falling and that is opening up the market," says Mr Robert Ralphs, product manager for video-conferencing at Mercury which, like BT in the UK, also sells equipment alongside its network services. "Video-conferencing is perceived as cutting costs and it seems to have thrived on recession," he says.

Because equipment is getting cheaper, the purchasing decision is moving down the management ladder – "you don't necessarily need board approval now," notes Mr Ralphs. Cheaper prices also mean wider use of video-conferencing equipment and greater access to equipment within large companies.

Technical improvements have resulted in higher quality sound and pictures over lower capacity data lines. Meanwhile the wider availability of dial-up digital lines means that customers no longer have to own or lease expensive high capacity dedicated data lines which were not used all the time, or pre-book suitable telecoms circuits in advance.

Today, the availability of standard digital office lines means that setting up a video-conference between two offices is no more difficult – or expensive – than making an ordinary voice call through a digital PBX.

Paul Taylor

In the US, **Frank Lipsius** looks at the growing appeal of online services

A rush to log on

FOR two years, Andre Knecht, national singles sales manager for Warner Bros Records, wanted to join the data superhighway with a CompuServe forum about the music industry.

He won his chance in mid-September when the Music Vendor forum joined what CompuServe spokeswoman Debra Young says is 400 forums on the online service.

Warner Bros is using its new outlet, accessible to 1.4m CompuServe subscribers throughout the world, to post new release information that is normally disseminated only within the music industry through flimsy new-release books.

Warner pop group Depeche Mode conducted an online press conference on the Music Vendor forum and Knecht fields questions on changing personnel of rock groups by staying late at the office to log on. Warner Bros does not expect to sell anything directly on CompuServe because, although shopping is an option of CompuServe's "electronic mall," information is really the service's stock in trade.

Information generates the most sales, as when people log themselves onto airline reservation systems and figure out their own itineraries or buy shares more cheaply than through brokers. But then CompuServe has extensive research for stock-market investing, including a screening service to highlight variables like book value, growth rate, debt/equity ratio and yield.

A stock quote is constantly at hand by typing GO BASICQUOTES, and the Analyzer answers financial and ownership questions.

CompuServe's income comes from keeping subscribers logged onto the system. CompuServe supplies the information while outside vendors make the sales. For less than $10 a month, subscribers get unlimited use of free services but many are surcharged, including even the Music Vendors forum, though stock quotes are free. As "the Swiss army knife of all online services," (in the words of *PC World* magazine), CompuServe has the most comprehensive online service.

But others have found their own niches in a field where information overlap is almost unavoidable. The Dow-Jones service has exclusive online use of the *Wall Street Journal*, its own flagship publication, while Mead Data Central secured exclusive online use of the *New York Times* for its Nexis service.

Other popular networks are Prodigy, a co-production of IBM and Sears, which has a consumer bent; GEnie, General Electric's consumer data service, which is popular for online conversation and having the latest shareware; and America Online, a newcomer with less information but speedy communications.

THE Windows interface has made access to the databases merely a few mouse clicks on provided software. Once logged on, subscribers see icons highlighting areas of access like news, research, investing, and travel. The services differ in the way they charge, some putting limits on the time made available with the monthly fee. All have surcharges for special services.

All these online networks are provided by for-profit companies, but the network of networks, which carries thousands of networks besides these, is government-subsidised and non-profit. The Internet, as it is called, came to prominence when Vice-President Al Gore discussed the data superhighway of the future, which he expected to be a public-private collaboration.

Many noted that such a thing already existed – Internet – which began as the means for academic exchange. It gradually grew to include companies exchanging data with customers, suppliers and their own far-flung outposts.

The debate over who should control the Internet goes on while commercial activity leaps through the cyberspace. Rupert Murdoch's News Corp. announced that it intends to buy Delphi Internet Services which connects customers to the Internet, while American Telephone & Telegraph said that it soon would connect customers to the Internet with a toll-free 800 number.

The Internet itself is being inundated with businesses signing themselves on. As of March 1, this year, more than half of 3,400 networks registered for the Internet were private businesses, compared to 29 per cent research institutes and 4 per cent educational centres – "what is going on now is the equivalent of a gold rush," according to Phill Gross, chairman of the Internet Engineering Task Force. "Commercial companies, new users, the small mom-and-pop outfits – they're all rushing into this new frontier."

The task force is a voluntary group that deals with technical problems on the Internet, including an effort to provide more security on the system.

The lack of security is itself protection against too much commercial exploitation of the Internet. But as the National Science Foundation's measly $11.5m subsidy is gradually reduced, the system is a tempting target for commercialisation. For now, businesses that indulge in a cyberspace version of junk mail are being excoriated by other Internet users.

The future holds prospects for voice, text and video transmission, a development that will only increase the appeal of the online services. Already the Music Vendor forum foresees transmitting artwork, digital audio files and video on CompuServe.

Knecht says that the Music Vendor forum had more than 1,000 log-ons its first day, a feat that indicates the potential for this extra-terrestrial definition of office space. He is leading the way in breaking down the barriers between consumer and business communication.

But the rapid changes endanger the uniqueness of a channel pioneered by non-commercial interests. Its fate may be decided all too shortly, as the leading players in worldwide communications weigh in with their investments.

Data on the move

The alternative to cellular radio

MOBILE communications are much in the news, particularly in the UK, following the launch of Mercury's One-2-One PCN service and the subsequent tariff and publicity battle with Vodafone and Cellnet. The productivity benefits gained by equipping key staff with cellular phones are widely appreciated.

Less well understood are the advantages of a more mature communications technology – radio paging.

Cellular radio is widely perceived as innovative and dynamic, whereas paging is seen as yesterday's technology. In reality, paging is a highly efficient one-way messaging service and can be a cost-effective addition to a company's communications portfolio.

Investment in terminals is low, prices are fixed and the service offers both national and international coverage.

Yet, despite these advantages, European paging, when compared to the booming markets of the Far East and the USA, has exhibited slow growth over the last decade.

Many observers lay the disappointing development of paging in Europe at the feet of the operators. Until recently there has been little competition with many countries having only a single monopoly operator. Tariffs have been high and the service offering was complex with multiple tariffs and zone structures.

Paging was treated as a "cash cow" by operators who were reluctant to invest in new technology or undertake innovative approaches to market. According to Nigel Salomon of new market entrant Hutchison Paging: "Paging in the UK is an under-rated technology – in the past it has been overpriced, too complicated and too inaccessible to potential users."

However, significant changes are taking place and paging looks set to experience substantial growth through to the end of the decade. New technology such as satellite links are improving the service with single national zones and lower tariffs being introduced.

New market sectors are being opened up with the launch of specialist information networks such as Hutchison's Pulse financial data service. Some of the leading UK operators have amalgamated and new players such as Hutchison are developing new and innovative approaches to the market. According to Hutchison Paging's managing director, Mike Bowerman: "There will be significant market growth for a service that has so far been under-estimated. The potential exists to more than double the market by the year 2000."

The next step: global paging

One of the factors which may stimulate paging growth is its European and international dimension. Like the digital cellular service GSM, international roaming is becoming a feature of paging networks. Hutchison operates the UK end of Euromessage, a service provided by a consortium of European paging operators, which allows users to be paged when travelling in France, Germany, the UK, the Netherlands, Italy and Spain.

Over the next two to three years, the pan-European paging standard ERMES will be rolled out, offering a complete European roaming service for paging customers.

The next step forward will be global paging. The International Maritime Satellite Organisation INMARSAT, will be using its network of geostationary satellites to provide a global paging service. Targeted at the international business traveller, the service will be launched in the second half of 1994 and INMARSAT is forecasting 250,000-500,000 users within six years.

At least four manufacturers will be offering alphanumeric pagers linked to the INMARSAT service.

Radio paging has the disadvantages of being a one-way service, limited in the amount of data that it can carry.

These factors, together with the growth in the portable computer market, have created a demand for more flexible and powerful mobile data communications systems.

Mobile data was widely forecast to be a booming market but the market has been slow to develop. In the UK, excluding Cognito's specialised two-way paging service, only RAM Mobile Data is active.

There is general agreement that the mobile data market has long term potential. PA Consultants forecasts a UK market of 2m by the year 2000 and Arthur D. Little has identified 3.8m potential customers in the US.

However, as Jonathan Tarlin of communications consultants EMCI points out, the demand for mobile data has so far been unimpressive – "customer acceptance of mobile data solutions is relatively low due to the inability of operators to effectively communicate and market the benefits of mobile data, relative to the costs involved.

The multiple standards used by European networks has also restricted the growth of the marketplace and prevented manufacturers from reaching economies of scale through mass production."

John E. Jarvis, chief executive of RAM Mobile Data, concedes that there have been problems in the past but is convinced that the market is now ready for lift-off – "you need five things to be right before you can achieve successful market penetration: you need coverage, you need mobile applications on host computers, you must have hardware and software connectivity tools, hardware prices must be right and the distribution channels must be in place.

"These major market inhibitors are now behind us and we can concentrate on capitalising on the opportunities that are available. I strongly believe that all the bits are falling into place. We have already scored some notable successes and this stimulates the market."

One of the developments likely to affect both paging and mobile data is the rollout of digital cellular networks. The European GSM system, for instance, offers both advanced data transmission capabilities and the Short Message Service (SMS) which provides a two-way text messaging service.

Ian Germer of Vodata sees GSM as being a great liberator for potential users of mobile data – "GSM makes entry into mobile data much easier for the customer. In the past, mobile data was hard to use, involved lots of extra wires and boxes, had poor coverage, was expensive and unreliable. All that has changed with GSM, so it lifts away a lot of the barriers that have kept people out of mobile data."

Ian Channing

Trend towards a cordless environment

Continued from previous page:

"With their intelligent network architecture and nationwide digital networks, the mobile operators will soon be able to offer all the services that a (fixed network) telephone operator can, and more," says Tim Harrabin, a principal consultant at the Cambridge-based Analysys telecoms, strategy and economics consultancy, in a recent report.

Some like Chris Gare, Mercury's manager of systems technology, believe that at some stage before the end of the decade, office cordless and mobile digital technologies will be integrated in a dual mode handset capable of operating as a Dect handset in the office and a PCN phone outside.

Business Design's Philip Ross in London believes mobile voice and data technologies are likely to be used alongside traditional hard wire cabling or new solutions such as ISDN in the short term.

But he argues that once cordless technology has proved successful, there will be a move toward a completely cordless environment, although probably using a cabled backbone (either copper or fibre optic) as a link between floors in a building.

In the longer term, some technology strategists believe individuals, rather than machines, will be assigned a personal number which, once they have "checked in," will enable telecom services to be routed to them wherever they are and irrespective of the equipment they are using.

Olivetti, the Italian PC manufacturer, has taken this concept a step further believing that its future products will converge into a system which it calls the Active Office.

Based on joint venture work with DEC at research laboratories in Cambridge Olivetti has developed a system which enables digital video and audio services to follow individuals around from room to room tracked via the infra-red active badges which they wear and which send a location signal every 15 seconds to a network of sensors.

■ DESK-TOP PERSONAL COMPUTERS

$50bn world market in turmoil

LITTLE more than a decade after the first IBM PCs began to appear on desktops, the $50bn-a-year world personal computer market is in turmoil.

Prices are falling, new and more powerful microprocessors are arriving, distribution channels are changing and the industry's customers face an unprecedented range of choices.

Meanwhile, technological advances have continued to accelerate shortening product cycles and putting tremendous computing power on the desktop – Digital Equipment's new Alpha PC claims to deliver 99 per cent of the performance of a Cray-1 supercomputer.

In the office, most PCs and desktop workstations are now hooked together in local area networks enabling them to share data and peripherals like high-speed printers and other sophisticated equipment including network fax machines, scanners and optical storage devices.

The rapid growth of PC "clone" manufactures in the late 1980s and a wide range of second-tier or "no-name" players on both sides of the Atlantic selling even cheaper hardware using commodity components bought in South East Asia and the Far East has shaken the PC industry to its foundations.

The new competition coupled with the general move away from proprietary hardware towards open systems and the associated trend towards "downsizing," eventually forced even the older established computer manufacturers to re-assess their PC strategies and go head-to-head with their new rivals.

Over the past two years all the large PC manufacturers including IBM, Compaq, ICL and Olivetti have hit back at the clone makers with new low-price machines of their own. The result has been wave upon wave of price-cutting as manufacturers have sought to boost market share to offset dwindling margins.

But tumbling prices, slim margins and the disappearance of customer loyalty have taken their toll. A steady stream of small and not-so-small clone makers on both sides of the Atlantic have failed or been forced to pull out of the PC market, leading to speculation that the market will be dominated by a handful of super-efficient players by the turn of the century.

Even Dell, one of the most successful of the new breed of PC manufacturers, has stumbled and been forced to adjust its strategy and undertake a significant restructuring following 10 years of explosive growth. Many other big manufacturers including Olivetti in Europe admit they do not make money on their PC business.

Some manufacturers have responded to these competitive challenges by developing their systems integration and computer services businesses, aiming to deliver to customers what Mark Churchward, divisional manager for Olivetti's UK document management division, describes as a "business process engineering approach."

Others computer groups have built strategic alliances to share costs and minimise the risks. Nevertheless it is difficult to remain a serious player in the data processing industry and ignore the PC sector.

According to Dataquest, the information technology consultancy, the PC accounted for about 45 per cent of world-wide computer industry revenues last year – almost as much as mainframe and mini-computers revenues combined.

The rapid changes in the PC industry have however shifted the balance of power towards other players like Intel, the US semiconductor manufacturer whose microprocessor chips power the vast majority of PCs, and the software companies such as Microsoft with its MS/DOS operating system, highly successful Windows 'environment' and wide range of business software packages, and Novell, which sells the most popular networking software.

Personal computers accounted for about 45 per cent of worldwide computer industry revenues last year – almost as much as mainframe and mini-computers revenues combined

Over the past 18 months, Intel has delivered a raft of new processors including low power versions its top selling chips and a range of upgradeable 'clock-doubled' processors built around its 80486 microprocessor as well as its new high power Pentium processor. But Intel no longer has the PC processor market to itself.

New chips from its rivals, AMD and Cyrix, have added to the recent proliferation of 32-bit PC processor types. Meanwhile, Digital Equipment has delivered the first of it 64-bit Alpha AXP chips based on 64-bit RISC (reduced instruction set computing) technology and IBM has launched the first PC workstation based on the PowerPC microprocessor jointly developed by IBM, Apple and Motorola, the second largest chip manufacturer.

The first PowerPC chip, the 601, has been priced at about half the cost of Intel's Pentium processor, signalling what some believe will be the start of a 1990s "chip war" as rival manufactures and technologies battle for control of the desktop.

But do customers need the additional processing power of Pentium, Alpha and PowerPC? Mr Mike Glennon of Dataquest is in no doubt that there is a place for Pentium, the more difficult question he says is how big a place. He sees applications like image transmission, PC-based video-conferencing and high speed networking creating the demand for these more powerful processors.

PowerPC chips will be used in future generations of Apple machines but Mr Glennon is less convinced about the Alpha chip which is very powerful but expensive. The biggest customer for Alpha outside of Digital Equipment is expected to be Olivetti which has a strategic partnership agreement with the US group.

Digital Equipment and IBM also both stress that the "downsizing" trend away from large mainframes towards client/server network systems has also created the need for powerful machines which can be linked together using high speed networking technologies like ATM (Asynchronous Transfer Mode.)

In its briefing paper on the PowerPC, IBM notes, "the introduction of faster and more cost-effective microprocessors means that tasks once thought suitable for mainframe and super computers can now be carried out at the mid-range and personal workstation level, allowing greater devolution of data processing down towards the desktop."

But despite the trend towards "downsizing," IBM and most independent analysts believe that the mainframe will continue to play an important role, even though, as IBM and Cranfield University School of management discovered in a study published earlier this month, many chief executives compare their mainframe to the boiler in the basement- essential but dull.

For many smaller businesses the issue is not which computer platform to use, but whether computers provide any benefits at all, according to a survey undertaken for Sage Group, the leading UK accounting software producer. The recent UK-based survey revealed that many small and medium sized businesses see computers as offering little or no value to their operation and discovered that as many as 1.5m non-computerised small businesses do not intend to buy computers in the next two years.

The main barrier to purchasing a PC was identified as lack of understanding of the advantages of computers in business by 67 per cent of small businesses (1-19 employees) and by 52 per cent of medium-sized businesses (20-120 employees.) In addition a majority of small businesses profess to have little or no knowledge of computers.

When small businesses do buy a computer the most common reason is to computerise their accounts. In total 57 per cent of companies with computers use accounting software like Sage's products which include Sage Moneywise which is particularly aimed at small businesses.

Other software companies including US-based Intuit have also recently begun to target this sector. Intuit's product called Quicken is designed to be simple to use and runs under Microsoft Windows or Dos on a personal computer. Intuit has also recently added an add-on product called Quickinvoice which helps the small business – typically employing one to five people – automate its invoicing procedures.

Paul Taylor

■ PC NETWORKS

The high cost of 'downtime'

PERSONAL computer network technology today is a mature technology, which is well-understood by the technical experts. It has also become so sophisticated that it is deceptively easy to install and look after. The truth, however, is far from that, as some organisations are discovering to their cost.

One City of London law firm recently had its entire network crash in the middle of a working day. The network – comprising desktop PCs for more than 200 staff – ran its client files, as well as accounting and word processing. The crash meant the 150 solicitors employed could do no work.

The firm's IT consultants found that a piece of faulty applications software on one of the network server machines had been the cause. When the software was removed, the system began to function again. Nevertheless, the consultants spent most of the day trying to get everyone back on-line.

In another case, a leading bank in London put all the PCs on its trading floor onto two fault-tolerant server machines, and relied on these machines to keep the network running. No-one managed it on a daily basis, and neither did anyone realise that one of the servers have fallen over until the second one also developed a problem. The entire trading floor was out action for two working days.

According to John Godden, principal consultant with network specialist Azlan, the cost of the 'downtime' in such situations can be much larger than the simple cost of fixing the system. These networks, in common with most that are being installed today, are commercially driven. They are used to support the day to day business functions, in a way that did not used to be the case even two or three years ago.

'The true cost is the cost per hour in lost business for every hour the network is down'

The old-style PC networks were 'device sharing' facilities, giving people access to a departmental printer or fax. If they went down, people could carry on working. Today they cannot. People use their PC to log on to the network for all their software, from wordprocessing through to databases. They also use the network to get information from software held elsewhere in the organisation – "the true cost is the cost per hour in lost business for every hour the network is down," says Godden.

Networks need to be planned differently to support the new applications, says Andy Rolfe, technical director of Logical Networks. The design should be sufficiently resilient and robust to properly support the new business applications, and the increased traffic volumes which they create – "many companies under-estimate the complexity of the system they want," he adds.

Technically, a network consists of several "layers" of equipment and software. The bottom layer is the wiring. The comes the "pipe" – ethernet, token ring, or FDDI (fibre distributed data interface).

On top of that is the transport protocol which determines how the data will be transported. Next is the operating system, such as Novell Netware or Banyan Vines, which manages what goes where, and finally there is the applications software held on the server. To complicate matters, there are other pieces of equipment known as routers, bridges, hubs and switches, which play a part in sending the data traffic around the wires.

Some problems happen because the "pipes" installed do not have sufficient capacity, as one insurance company found out to its cost. It had tried to stretch the ethernet pipe beyonds its technical limit, and wondered why "protocol error" messages kept appearing on the screens.

In other cases, the network has just grown organically, and gets to a point where it is simply over-stretched. Re-assessing the applications software may solve the problem.

One such case was the British Airports Authority resource management system. It supported 150 PCs, which log faults which occur at UK airports, including London Heathrow. It ran a PC database system, but the application was drowning the network with too much data traffic. Consultants ACT business Systems solved the problem by redesigning the applications software to use a client-server architecture, cutting down the volume of traffic on the network.

Mike Long, principal consultant at Hoskyns, stresses that a sound network infrastructure does not come cheaply, but the long term benefits can outweigh the cost – "it must be flexible, and easy to add more people. That is a heavy commitment. For a large building, of say 180,000 square feet, and five or six storeys, the cost could come to between £500,000 and £750,000," he says.

But even a well-designed robust network is not trouble-free. An issue that many large organisations are now wrestling with is data management. As networks, the number of servers increases in proportion, and that creates problems for users. They do not know where files are stored, or find that duplicate file copies do not match.

"If you have 250 users, you would have to think about controlling the data. Problems arise such as who has a copy of this document, what did they file it under, on which server," says Andy Mulholland of network services company, BISS.

Companies discover that even a well-designed, robust network will not be trouble-free

Difficulties arise when two copies of the same file are held on different servers, but one has been altered. Anyone calling up the unaltered file could unknowingly be working with out of date information.

At BISS, they have first-hand experience. The company's 200 employees all have a PC, connected to 10 servers, with 500 Mbytes of storage each. Documents transferred from one department to another are regularly re-filed on a different server under another name. The copy in the originating department does not get updated. BISS is hoping to solve the problem by replacing its 10 500Megabytes servers with two 3Gigabyte "super-servers."

These "super-servers" also have other advantages. It is easier to keep them in a single physical location, where they can be protected not only against theft, but against spilled drinks and other hazards of the office environment.

An alternative way to improve the management of the network might be to use new operating software, such as Novell's Netware 4. This has been designed to provide sophisticated data management facilities, in particular to make file access simpler. However, the software was only launched this year, and most consultants are advising people to wait until it has proved itself before they embark on a substantial installation.

Monica Horten

Electronic data interchange and electronic mail

Valuable boost for efficiency

The paperless office is almost as much a tantalising dream today as it was a decade ago. But in some areas, including the exchange of routine business documentation such as orders and invoices and electronic mail, some significant progress has been made, says Paul Taylor

ELECTRONIC data interchange (EDI) is a value-added network service which enables two organisations, usually customer and supplier, to exchange business documents using standard electronic forms and their own computers linked through a service provider.

It is often a faster, cheaper and more reliable means of exchanging information than the traditional paper-based business transaction and can play a crucial role in automating a transaction chain. EDI also automatically sets up an 'audit trail' which enables an organisation to check and validate electronic documentation. These benefits have spurred growth in the use of EDI in the US, where it originated, and in the UK and the Netherlands which lead Europe in EDI usage.

Ovum, the technology consultancy, expects the EDI market in Europe, including customer software and support, to grow from about Ecu 196m in 1992 to about Ecu 590m in 1997, a compound annual growth rate of 24 per cent.

"The EDI market in Europe continues to grow steadily," Ovum noted in its latest report on the European Vans market, "most large organisations are now using, implementing or trialing EDI." However the report also notes that small and medium-sized enterprises (SMEs) are showing much more resistance than was expected to the adoption of EDI.

Nevertheless, as an increasing number of smaller suppliers have discovered, big companies are beginning to demand EDI links with their trading partners. This, in turn, fuels the growth in EDI trading as more organisations gain direct experience of the benefits.

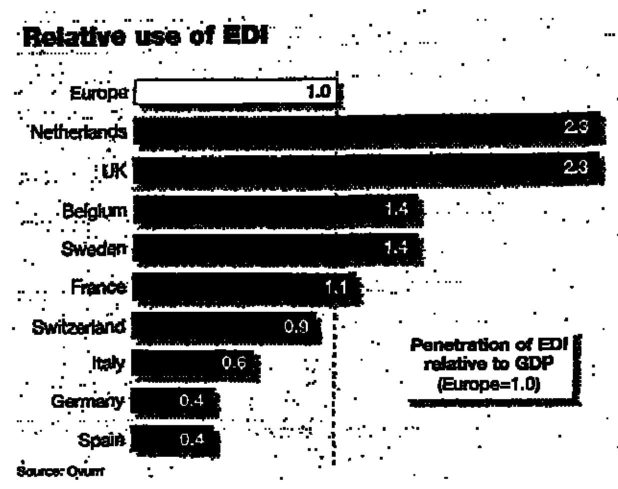
Ovum notes that the majority of EDI traffic today is based on industry specific application protocols. However, the report forecasts that "virtually all new user-communities are basing their services on Edifact (an international standard) – and many existing communities using proprietary application protocols are moving towards Edifact."

By 1997, Ovum predicts that 90 per cent of EDI traffic in Europe will be based on the Edifact standard.

The UK and the Netherlands are by far the most mature EDI markets in Europe followed by France, Sweden, Switzerland and Belgium which are 12 to 24 months behind, then Germany, Italy and Spain which are about three years behind according to Ovum.

Among the service providers the market leaders in Europe are IBM and Geis which have pan-European networks and services and International Network Services (INS – jointly owned by Geis, the US-based network services company, and ICL) which dominates the market in the UK with an estimated 55 per cent market share.

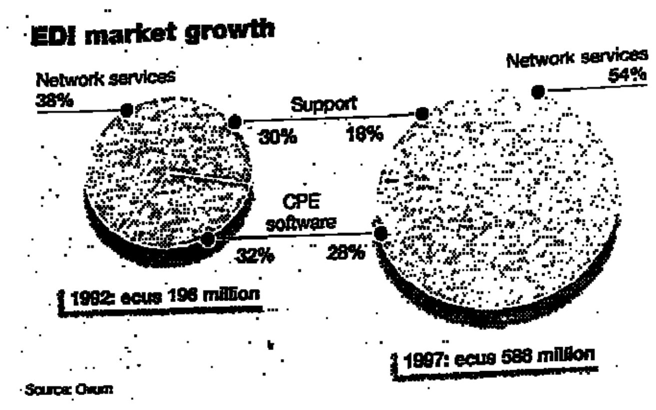
Other service-providers in Europe include Unisource, a joint venture between the Dutch,Swiss and Swedish telephone network operators, BT Global Network Services and France Telcom/Transpac which are aiming to build up a European-wide presence, AT&T Easylink which has a significant position in the UK and is now expanding across Europe. Intesa, a joint venture between Fiat and IBM, has an important position in Italy while Silgos is the market leader in France.



In the UK, competition between the three main service supplier is intensifying and last year IBM, AT&T and BT announced inter-working between their networks in an attempt to isolate INS which provides three main EDI 'communities,' INS-Tradanet, the main service for retailers and their suppliers, Brokernet for the insurance sector and Fleetnet for the fleet leasing-management sector. The biggest, INS-Tradanet, handles more than 6m documents a month.

Companies use these EDI service suppliers because they provide a central 'post office' function, directing message traffic to the appropriate recipient and providing any 'data translation' needed between different computers or message standards.

About 10,000 companies and other organisations in Britain are estimated to be using electronic trading and the number is growing by between 20 and 30 per cent a year. But there is still much room for growth. Some recent estimates have suggested that less than 5 per cent of business transactions in the UK are handled by EDI. Of the top 1,000 companies, roughly 300 use EDI.



As Sir John Harvey-Jones noted at the Electronic Business Exchange conference held in London earlier this year, that "against the potential of both the number of firms and the uses that could be made of electronic trading, we are barely scratching the surface."

Tesco, one of the pioneers of EDI use in the UK, has automated its entire transaction chain of recording sales, amending and checking stock records, re-ordering goods, receiving and checking invoices and making payments. The benefits of EDI have been so great over the last six years that the supermarket chain has stopped measuring them against the costs.

Tesco now trades electronically with over 1,200 companies of all sizes, representing more than 95 per cent of products on its shelves. Half these suppliers send their invoices to Tesco by EDI. Other big EDI users in the UK include ICL, the computer group, Nestle, Colgate-Palmolive.

EDI users are also becoming increasingly sophisticated. Originally, EDI tended to be used only for basic transactions such as ordering and invoicing. However, as familiarity with electronic trading has grown, so has the range of information transmitted over EDI links.

Tesco now exchanges 13-week sales forecasts with a quarter of the 1,200 suppliers which trade with it electronically to help them schedule production and reduce stocks – thus keeping their own costs and prices down.

EDI is also being integrated with existing internal electronic mail systems and other computer applications. Using EDI in this way enables a customer to link two or more incompatible e-mail systems, for example in different departments or divisions of the same company, or to build an "electronic bridge" between e-mail systems following a merger or acquisition.

Unlike EDI, electronic mail is a non-interactive service based on sending computer originated messages across a telecommunications network. In Europe, electronic mail is already a significant and fast expanding Vans market. Ovum estimates that service providers earned Ecu 178m from e-mail services last year and will earn almost Ecu 1.5bn by 1997.

The largest share of the market (8 per cent) is held by BT GNS, followed by IBM, Unisource and Geis. Ovum has identified seven other smaller market players including AT&T Easylink, Mercury and Sprint which are earning at least Ecu 5m from e-mail services in Europe.

According to Ovum, single terminals connected directly to public services account for almost 90 per cent of current e-mail traffic but by 1997 Ovum estimates this will have dropped to 20 per cent with the remainder accounted for by gateways to private e-mail systems.

In the UK, e-mail usage is growing rapidly partly reflecting the introduction of new value-added services like Mercury's Multimessage facility which provides an integrated approach to sending a single message to any combinations of fax, telex and electronic mail addresses together with other special features like automatic re-dial and deferred transmission.

Taken together with EDI, electronic mail is helping to redefine the way businesses trade and communicate with each other, and the office is at the centre of this new system of "electronic commerce."

■ GROUPWARE

An aid to teamwork for PC-users

The price of groupware has put off many companies, but increasing competition will bring the cost down, says **Boris Sedacca**

THERE was a time when companies avoided making any significant investment in a new technology until IBM entered the market to "legitimise" it. Today, nobody waits for IBM anymore and this is particularly evident in the workgroup computing/groupware market.

This is not to say that IBM does not have groupware products, because the company announced a number of product enhancements in the groupware area, earlier this month. However, IBM is unlikely to emerge as market leader in groupware as it has done in the past with products like the PC.

Groupware is a software environment that aims to make teams of PC-users work together more efficiently. It updates colleagues on new developments, and is similar to a central "hold" for information, where files, diaries, memos and other office documents are stored, easily amended and accessible to anyone.

With groupware, work is not held up because someone else has the file, or has forgotten to add new information.

Lotus was first to enter the groupware market with its Notes package, but initial take-up of the technology was relatively slow because it involved large-scale investment and required an IBM OS/2-based server system.

Although Lotus makes most of the running in the market, there are numerous disparate products which, it could be argued, already fall into the groupware category.

Apart from Lotus and Microsoft, two other leading PC software vendors – WordPerfect and Borland – have jointly announced groupware products, although the forthcoming WordPerfect Office 4 looks set to compete independently. ESP is another company specifically targeting the groupware market with a range of third party software products.

Most products centre on a mail engine. Novell, for example, is talking about workgroup computing in terms of its global messaging service. A "mail engine" is essential for people to work effectively in teams together.

Alan Harris, associate partner at Andersen Consulting believes there is still room for an outsider to come into the groupware market and then play a dominant role by establishing the rules of play.

"It is going to be somebody who comes up with a framework to understand how groups can interact," he says.

"The biggest gap is in the lack of a telecoms infrastructure. If you really want to get groups working together, they have to be free to do it from wherever they are. At the moment, there are too many compromises made because of the lack of a telecoms capability.

"You cannot really participate if you are on the move," he says. Most applications are designed to provide good performance in a local area networks (LAN) but do not work well on anything slower – "groupware is an application idea that is waiting for the data highway to come along."

For businesses to succeed with the new way of working with groupware, they need to be able to create groups across dispersed geographical locations throughout the enterprise.

Alan Harris believes that telecommunications suppliers will emerge as contenders by teaming up with software vendors.

PA Consulting recently completed a survey on groupware and information sharing. John Kay, director of management and professional systems at PA Consulting, says: "We were concerned that although groupware has been much touted, the chasm between IT and the business is not narrowing."

THE survey sample consisted of around 100 senior managers in IT, finance/accounting and marketing in large private sector companies. Eighty per cent acknowledged the importance of information sharing, while 65 per cent did not like the way IT presented its solutions to the business.

Eighty-six per cent did not think the time was right to act on information sharing and groupware. Some responses included comments like: "Groupware is a fad," and "I'm not interested in groupware – I always get my IT people to deal with it."

Only 13 per cent thought they were getting any benefit from what they had done in the groupware area.

"Groupware is another packaging of technology concepts which have been around for a long time," John Kay adds.

Business managers do not naturally think of IT as a solution to their work problems at the tactical level, he says – "there is no doubt that they all have an IT strategy and know how important it is to link it to the business, but when sales or marketing managers run into problems, they do not naturally turn to groupware for a solution."

The price of groupware also puts many companies off, although increasing competition will bring the cost down. Lotus Notes Version 2 had "a hefty price tag," comments Niels Jaeckel, manager of the desktop consulting group at Hoskyns.

"Version 3, which has now been released in part, will be cheaper. One of Notes's prob-

Continued on facing page

THE financial services industry churns out endless reams of paperwork, particularly in the insurance and mortgage sectors.

These are the areas, however, where the bulk of applications can be found for document image processing (DIP).

Apart from improving customer-service efficiency, the industry is also beginning to use DIP technology to cut staffing, according Geoff Bedser, consultant at the finance division of the Computer Management Group (CMG).

"If you talk to financial organisations, they will mention the two points in the same breath. In practice, the emphasis tends to be on improved efficiency," he says.

Unlike the computer industry which is increasingly moving towards standards, DIP is still a jungle of proprietary systems.

There *are* some standards at the lower levels of DIP technology, such as the fax format used for the images, but when it comes to the software that does clever things like indexing, it is still a case of "everybody for themselves."

So when customers choose a particular supplier, they have to be sure from the outset that they will not want to switch suppliers later because they will be well "locked in" to an original supplier.

Most imaging systems now store images using the Group 4 fax standard from the Consultative Committee for International Telephony and Telegraphy (CCITT), which provides better image compression than its Group 3 predecessor.

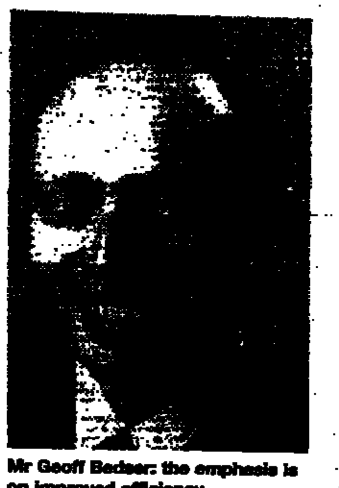
"That is really all a fax *does* – like an imaging system, it turns a document into a series of digits," explains Mr Bedser.

"The main problem with standards is how you actually 'reference' an image on a disk. Every supplier has a different indexing approach. In principle, it would be quite simple for somebody to convert images from one system to another by turning them into faxes – say, through a PC fax card."

Most DIP systems scan images at a resolution of 200 dots per inch (200 dpi). An A4-page scanned at this resolution in monochrome generates about 4m pixels, occupying four megabits of storage, equivalent to half a megabyte of data.

Document image processing and data storage

Smarter ways to store documents



Mr Geoff Bedser: the emphasis is on improved efficiency

When it was first designed, Group 3 offered a line-by-line compression algorithm. Group 4 compares the second scan line with the first, thereby achieving a higher level of compression, particularly on certain characters with uprights that do not alter from one line to the next. It effectively represents the second scan line with how it differs from the first one.

Group 4 is more efficient, but requires better error-correction because if a line is lost in transmission, so is the whole document, whereas because Group 3 corrects itself at the end of every line, the worst that can happen is one bad line.

Another commonly adopted standard for DIP is Aldus's Tag Image Format (TIF), which allows users to move image files from one system to another. TIF can be used to store images compressed in ways other than the fax standard, like colour and greyscale images, for example.

TIF also allows users to scan images in at any resolution. However, doubling the scan resolution from 200 dpi to 400 dpi, the print resolution offered by most laser printers, quadruples the storage required in theory, although the more data is captured the more redundancy it contains, so the compression algorithm tends to be more efficient. In practice, therefore, the storage requirement would only double.

"TIF in itself is still only effectively an image format," says Tony Hendley, technical director of Cimtech. "You still need to describe your definition of a document within the system. That's where you get into the realms of document architecture standards."

The large computer manufacturers such as IBM and Digital Equipment (DEC) have defined a standard called Open Document Architecture (ODA). This allows users to manage documents in a range of formats.

Most word-processors use IBM's Document Content Architecture (DCA) as an interchange format for exporting documents to other word-processors. ODA is the counterpart to DCA for document imaging, but still has some way to go before being universally adopted as a standard to replace proprietary architectures in DIP systems.

THE move to client-server computer architectures means that DIP systems can now have one server managing the index database and another managing document contents, be they images or text files. This will improve performance because the types of searches done on the index database are different from those done on the storage server.

"The best analogy is that of a hat-check system where you give your coat to a cloakroom attendant and you get a ticket with a number on it. The attendant does not know what the coat is or anything about it, and they store it as they see fit," explains Mr Hendley.

"The storage server operates on that principle. At any point in time, the index database will deliver a series of tickets as a result of a search, and the storage server will deliver the file.

"The benefit of having them as separate devices is that you can have many companies who specialise in making storage management systems which optimise the trade-off between storage cost and speed of retrieval."

He recommends that users carry out some form of data modelling exercise in advance or use free text indexing systems. Alternatively, they can create an abstract of the document.

If the document is held as a text file, the user can search on any word in the document itself. Whether the user has come through a structured search or a free text search, the principle is the same – the result is a hit-list of unique numbers from which to retrieve files.

"Most imaging systems use a standard database such as Oracle to hold their indexes," says CMG's Mr Bedser.

"The fact that it is pointing to an image is where the clever software comes into play. Image is a technology which appeals to users, rather than IT buffs, but ironically users see it as something which enables them to automate their processes and bypass traditional IT professionals."

Optical character recognition is now becoming more prevalent because the system can then recognise part of the image as being characteristic of the document, providing automatic indexing – this is particularly useful in legal documents, for example.

Boris Sedacca

■ PORTABLE COMPUTING

Small is beautiful

Almost one in five of all personal computers sold last year was a portable – and the trend is accelerating, reports Paul Taylor

Windsor Life, a financial services company, sells its products through a direct sales force of 270 full-time agents. They use a sales automation system, called Wings, which supports the complete sales cycle "from prospect to policy." The system, run on Toshiba portable PCs – the colour T3200SXC, shown here – can be electronically linked to head office, giving the company a rapid communications channel for everything from head office memos to new product rates

IN *the early days of portable* computing, strong arms and a large dose of determination were required. Machines were heavy, cumbersome and generally slow and unexciting.

But, since then, silicon integration and other technological developments have enabled portable computer-makers to pack real processing power into ever smaller and less costly packages.

Although portable computing is little more than a decade old it has changed dramatically in recent years. The "clamshell" notebook computer has become the *de facto* standard for portable computing and the fastest growing segment of the world computer market. Almost one in every five PCs sold last year was a portable and the trend is accelerating.

Dataquest, the market research organisation, estimates that worldwide notebook computer shipments, led by manufacturers such as Toshiba, Apple, NEC and Compaq, more than doubled last year to 4.35m units. By 1997, Dataquest expects portables and the new generation of personal digital assistants (PDAs) to account for more than 45 per cent of unit sales.

Although portable machines still command a price premium over their desktop counterparts fierce competition is eroding the difference and providing consumers with an ever widening choice. Almost every serious PC manufacture and most of the "clone" makers now supplies at least one range of notebook computers – many have high and low-end ranges – and as a consequence prices have been falling rapidly.

Today, many models boast high resolution colour displays, large 120Mb-plus hard disks for data storage, integrated trackerballs for mouse-style pointing under Microsoft Windows and at least one PCMIA card slot to connect peripherals like modems for data communications. While machines based on Intel's 386 processor are still dominate the market a growing number of new machines are based on the more powerful 486 processor.

Low-power chips, like Intel's SL range, together with advances in screen and battery technology have enabled designers to build machines with brighter displays and longer battery lives while new lightweight components have enabled manufacturers to deliver most if not all the functionality of desktop systems in much smaller boxes.

Generally notebook computers are used in addition to desktop machines, and sometimes as replacements. That means most corporate users want machines which offer similar facilities to desktops and are able to run the same software. However, despite significant advances in screen technology, few portables can compete with the displays found on most desktops.

One increasingly popular solution to this issue is the "docking station" which enables the portable to take advantage of facilities like full size screens and keyboards and to connect to an office local area network which then provides access to databases and peripherals like printers.

Several large manufacturers now produce docking systems including Compaq and Apple whose Duo system combines a lightweight 4.2 lb notebook computer for use on the road with a docking station which turns the machine into a sophisticated desktop, linked into the office network.

For many users, notebook computers are now an important element in the "mobile office" although most studies show that portable computers are only rarely used while actually travelling. Equipped with a fax-modem and perhaps a portable printer they can be used to send and retrieve data, electronic mail and facsimiles from a hotel room or local office.

Some manufacturers have begun to design in specific features for the travelling businessman. For example, Cannon's BN22 BJ incorporate a bubblejet printer; meanwhile, Toshiba has recently launched the T6600C which includes a CD-Rom drive, stereo speakers, detachable keyboard and other facilities to make multimedia presentations while travelling. At 13 lbs, it is heavy in comparison with today's notebooks, but actually weighs less than Toshiba's top of the range laptops of just a few years ago.

Other innovative machines to appear on the market recently have included modular designed systems from Elonex, the North London-based computer group, Japan's NEC, Acer with the Acernote 750c and Italy's Olivetti with the recently launched Philos. Manufacturers argue that these modular designs enable customer to keep up with future technologies and provide users sharing machines with additional flexibility.

Most new portables feature integrated tracker-balls introduced by Apple which has had achieved considerable success with its PowerBook systems which were among the first notebooks with an integrated trackerball – a feature which is increasingly common. Apple sold over 500,000 PowerBooks, worth more than $1bn last year.

Another innovation in portable computing over the past couple of years has been the arrival of pen-based "notepad" systems which are now available from a growing number of notebook manufacturers.

To date, pen-based systems, including smaller handheld devices, have mostly been used for niche applications, for example by insurance assessors and engineers completing customised forms on site, warehousemen checking stock or for data collection. Often these machines are linked by radio data communications back to head office so that data can be transferred to and from the main database.

Some manufacturers have sought to combine the benefits of pen systems with the attractions of the conventional keyboard. For example the Grid Convertible, now supplied by AST alongside its new ranges of high and budget-priced note-

Continued on page nine

Robert Halliday looks at ways to cut back on printed documentation and reduce costs in the electronic office by using new software packages

A chance to reduce the paperwork

ONE of the biggest myths of the early years of the information technology revolution was that the use of computers would lead to the end of the use of paper for communications and the start of the "paperless office."

It is now clear that this paperless society is, at least so far, a myth. New technology has actually led to an explosion in the use of paper: the page design tools on personal computers allow anyone to create good looking documents, but the urge to get the design just right by tweaking tiny details mean that several draft copies may be printed where one typed memo would have sufficed.

Then, once finalised, the document may be faxed or posted to different sites, where it will be copied several more times for distribution and filing.

The disadvantages of this system are quite obvious: firstly, contrary to current ecologically-friendly trends, a large amount of paper is used.

Secondly, the costs of copying and transmitting the document can be huge and, despite the care taken with the design, the quality of the received document (once it has been faxed, then photocopied, then comments added, then faxed back) can be unpredictable.

Thirdly, though by no means finally, if the recipient wants to take sections from a document to incorporate into another document, they cannot do so without re-entering the data into their computer.

Yet while distributing such documents as computer files, either down telephone lines or on disc, clearly solves many of these problems, this method has never become popular. This is mainly attributable to the difficulties caused by the different data formats which each computer and program uses.

Transferring plain text, the lowest common denominator of the different machines, has always been possible, but sending complex documents, con-

Far from the paperless office, new technology has led to an explosion in the use of paper

taining text in different sizes and fonts placed around pictures is very difficult unless the sender and recipient have exactly the same software packages and fonts installed on their machines.

In some organisations this has led to packages being copied illegally just so that every-one could read electronically-distributed documents.

Two new software packages aim to solve this problem. Both "Common Ground" from No Hands Software and "Acrobat" from Adobe Systems claim to allow documents created with any application program, and incorporating any combination of fonts, graphics and colour, to be sent electronically to other users' computers and viewed on-screen.

The sender and recipients need not have the same applications or fonts installed, nor even be using the same type of computer – both products allow documents created on Apple Macintoshes to be viewed on personal computers running Windows, and vice versa. Adobe is also working to bring users of DOS PCs and Unix machines into the Acrobat world.

Both systems appear to operate in the same way. Once installed, they add an option to the print command to output the document as a special format file, called "digital paper" (dp) in Common Ground and "portable document fortmat" (pdf) in Acrobat.

The files, which preserve the look of the original document, can be distributed on disk or by modem, and be read on-screen using a viewer program – Common Ground even allows a mini-viewer to be included with a document, so that any-one can read it.

Once opened, the document can be searched for words or phrases, and sections of text can be copied to other documents.

Acrobat adds further facilities like "sticky notes," the electronic version or the familiar Post-It note, and hot links where selecting a phrase like "see the attached graph" would take you directly to that graph, and will eventually support the standard SGML document structure system. If green-consciousness permits, both systems allow documents to be printed.

Beneath the surface, however, the two systems differ greatly, in ways which affect both the quality of the documents when printed and their file size. Common Ground files contain a bitmap image of the document – a "dot by dot" copy of the on-screen image.

When creating the digital paper file, the resolution can be selected to be 72 dots-per-inch (about the same resolution as appears on computer monitors) or 300 dots-per-inch (standard laser printer resolution).

The 72 dpi files are smaller, but appear ragged when printed or enlarged on screen; the larger 300 dpi files give much clearer results.

The technology behind Acrobat is much more complex. The portable document format is an extension of Adobe's established PostScript page description language most familiar from high-quality laser printers.

Rather than creating a bit-map copy of the document, Acrobat stores the "metrics" of the fonts used.

Using the company's "Multiple Masters" font format a system where one font can be stretched and distorted to give many variations of the design the receiving system. generates close copies of the original fonts.

Though it has problems with highly decorative typefaces, the advantage is that the resulting fonts are resolution independent if you print them on a high quality laser printer they will appear at the resolution of the printer, whereas those from Common Ground would be stuck at 300 dpi.

Acrobat also offers a number of compression systems to reduce the size of pdf documents, which is advantageous since it reduces both telephone transmission times and storage requirements; in some cases, 2Mb files can be reduced to around 100K.

However, documents cannot have a view included – to read a document you need an Acrobat Reader, and these are only currently available in minimum quantities of fifty, priced at £36 a copy.

"Exchange," the program which creates pdf files, costs £140 per copy; and "Distiller," which takes existing PostScript files and turns them into pdf format, costs £500.

Repeated drafts of desk-top designed memos all add to the paper mountain

"Common Ground," in contrast, costs just £149 for the Maker/Viewer.

The two system will however, find favour with different markets, Common Ground being ideal for distributing small-scale documents while Acrobat is more adept at large works containing extensive cross-referencing or full colour images.

Providing recipients avoid the urge to simply print-out documents, both systems will reduce costs and paper usage greatly. And while neither is yet perfect, both give the "paperless office" concept a new chance.

Acrobat is from Adobe Systems, distributed by Principal Systems (0706.831.831); Common Ground is from No Hands Software, distributed by Gomark (071.731.7930).

Groupware benefits

Continued from previous page:

lems in the past is that it required OS/2, whereas the majority of sites have Microsoft Windows," he says.

Lotus has only recently released a Version 3 Windows development server product, he adds, "but it not entirely suitable for services because Windows is not a pre-emptive multi-tasking environment like OS/2.

"What that means is that it does not switch from one task to the other mechanically but through something called co-operative multi-tasking, which means that the application has to release control to the operating system."

A pre-emptive environment means that the server gets a specific amount of time to do its job.

Under Windows, if anything else is running, then the server may not get its fair share of work, and performance will suffer.

However, the forthcoming release of Windows NT will probably solve that problem as it uses a pre-emptive approach to sharing out processing time.

According to Niels Jaeckel, Microsoft has a more powerful set of language tools in its groupware products than Lotus which uses a macro scripting language in Notes.

He comments: "The edge that Microsoft has is that those language tools will be embedded into Windows 4.0, the next release of Windows for PC clients, which is also a 32-bit pre-emptive multi-tasking operating system."

The transition to Windows NT server will be very clear, he believes, "unlike the transition from Release 3 to Release 4 of Novell Netware which has totally confused users, or from Lotus Notes 2 to Notes 3 where substantial changes were made."

■ PRINTERS AND COPIERS

Surge of new products

Many of today's photocopiers and printers act as one - at the touch of a button, reports **Julie Harnett**

In-flight printing: the new Citizen Notebook Printer II is claimed to be the only portable printer capable of colour printing and is perhaps the smallest colour printer in the world. It sells for around £349, plus VAT

The transition to the all-digital office is gathering apace. Not, as we were once led to expect, to get rid of paperwork but to produce better-looking documents, faster and cheaper, on demand at the point of need.

It is not such a long leap into the dark unknown for the modern copier as some may think, for it already uses 10 or more microprocessors and software programs wisely and well to make an amazing array of facilities available at the touch of a button.

Fast scanning, infinitely variable zoom, automatic double-sided copying at full engine speed, job programming with memory retention and self-diagnostics are just some of the state-of-the-art features that can be accessed via graphical displaysor touch-sensitive screens.

In fact, the technology has advanced to the stage where every office junior in the land could take a set of originals and, with a modicum of training, produce reports, booklets or manuals, stapled complete with colour covers and dividers, in less time than it takes to place an order with a printshop. No wonder suppliers such as Canon, Infotec, Konica, Lanier, Minolta, Mita, Nashuatec, Oce, Olivetti, Panasonic, Rank Xerox, Ricoh, Sharp and Triumph-Adler have all recently launched medium-speed systems machines for the office market.

☐ **The digital print room**

Questions are being raised in centralised print departments about the need to produce intermediates, which is both time-consuming and wasteful. If the majority of originals are created on a computer, users argue, would it not make economic sense to send the images direct to the copier electronically?

According to Kodak research, 70 percent of UK business and public sector organisations believe that, where the key requirements arelow cost, fast turnaround times, dependability of time-sensitive information and efficient use of space, a copier to computer or network link is important. Hence the company's decision to ad thenew Kodak 1580 copier-printer to its Lionheart programme in the first quarter of 1994.

Océ is also moving towards the Digital Repro Centre ideal with a software solution that integrates existing analogue copiers, laser printers, scanners, computers and applications to providean interchangeable and updateable package that will enable the repro department to grow from present hard copy reproduction to the benefits of fully-digital working methods at their own paceand within what might be very right budgets.

Commercial Union can already testify to the benefits of digital technology when compared with traditional offset presses. Ray Thorn, manager of group supply, says: "Using the Xerox DocuTech to produce 500 prints will see the job printed and finished beforethe press would have been ready to start."

To CU's marketing department it is image quality that is crucial, so they have been chosen to run a pilot where they will be able to eliminate intermediates by linking their desktop PCs or Macs to the MediaServer via a modem for direct input.

☐ **Digital offset**

The offset press is not dead yet, though; and for long-run colour-work at a low cost per copy it still has no equal. The launch ofthe Indigo E-Print 100, the world's first digital offset colour printer which combines the performance and image quality of liquid ink with digital imaging and electronic paper handling, proves that it, too, is being given a new lease of life.

☐ **The digital duplicator**

The duplicator, too, is alive and well and embracing digital technology to eliminate messy manual processes. With costs per copy on print runs of 24-4000 copies per original at less than one-third of a penny, the economics speak for themselves in schools and colleges where electronic copier-duplicators from Gestetner, Infotec, Ricoh and Riso are finding favour. The ability to link the machines directly to a PC or MAC for direct image input further enhances their value in terms of investment futures.

☐ **Multifunction desk-top**

Integrated digital solutions for general office use have been hovering in the wings for several years but the high cost when compared with the products they replace have not made economic sense to purchasers. Marketing directors at Canon, Konica, Ricoh, Sharp and Toshiba have all commented on the fact that although 35 percent of the Japanese copier market is already digital, it will represent no more than 5-10 percent of the UK market for atleast two years.

Richard Norton, vice president, Worldwide Document Management Group, Dataquest, the market research company, agrees with that view, but cites several new developments that will help to makethe all-digital office a reality. One is the Oki DOC-IT, a small desk-top unit for personal use costing from £3,000 that combines image scanning, plain paper fax, copying and page printing. A network version is planned. Mid-range multifunction devices worth noting, he says, include the Ricoh 5330 and the Canon GP55.

☐ **Digital colour**

Could 1993 be the year that colour takes off? Perhaps. European research carried out by BIS Strategic Decisions shows that unit sales of colour copiers, now at just under 35,000 units, will grow at the rate 20 per cent (CAGR) through to 1997. Canon was the first to break the price barrier with the launch of a digital colour copier-printer based on bubble-jet technology at under £4,000. Olivetti, too, has entered the market with the Colour 8000 at £3,795 which divisional manager Alistair Booth believes will be used primarily as a PC printer.

Colour laser printers, says BIS, will grow much faster than colour copier, with unit sales rising from 130 units in 1992 to 32,500 in 1997 (104 per cent CAGR 1993-1997). It could be higher if the QMS ColourScript Laser 1000 and the Océ 6460 desk-top machines (priced at around £10,00-£11,000) are joined by lower cost units from suppliers such as Canon and Hewlett Packard.

But because of much lower prices of colour inkjet and the ability of the technology to be adapted for printer and copier use, sales across Europe are likely to outstrip any other product type, BIS predicts, with units shipped rising from 442,000 in 1992 to 3.35m in 1997.

COLOUR inkjet printer-only devices that have broken the mould interms of price and capability include Hewlett Packard DeskJet 1200C and 1200C/PS, which came in at around £1,400, followed more recently by the Canon BJC-600 at £599, plus Vat, both bringing to the masses the essential combination of affordable plain paper full-colour and true black.

Competing in this market are four-colour thermal units, and here the innovations possible are epitomised by the Star SJ-144, a three-page per minute printer offering zoom magnification priced at a low £569 and which won the Best of Comdex award this year.

At the higher end of the market where the quest for perfect colour matching and colour registration is crucial, one of the most important developments is the range of EFI (Electronics for Imaging) colour management products which can turn a digitalcolour copier, such as the Canon CLC, Kodak ColorEdge Plus, AgfaXC305, Minolta CD-80 and the Rank Xerox 5775, into a multifunction copier-printer capable of producing very high quality colour output. The need to develop anti-counterfeiting technology, however, naturally adds to the cost.

The colour copier-printer market certainly look set for some excitement as innovative products like the Rank Xerox MajestiK, with its auto colour sensing capabilities, stretch the technology barriers. Capable of accepting images from a variety of sources, including computers, scanners and photo CD systems and due to be launched in the first half of 1994, it has already created a storm in Japan by capturing 42 per cent of the digital colour market.

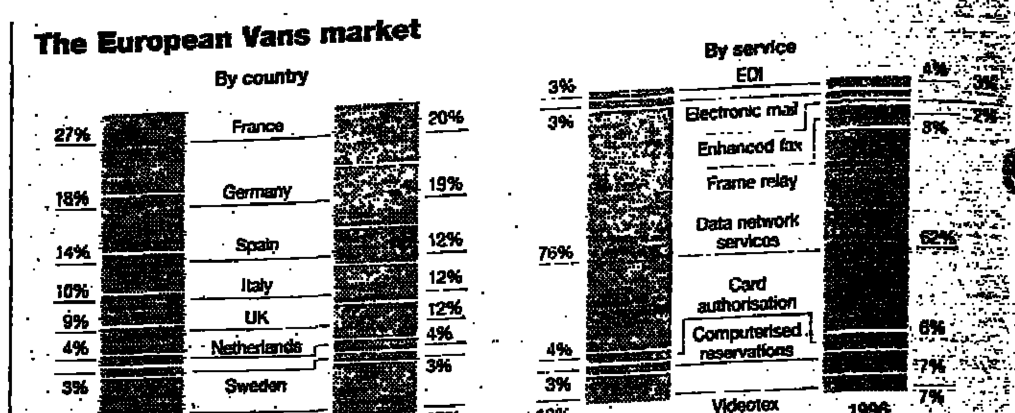
Developments in copier and printer technology are, then, still growing apace, with computer networking, PC interfaces, digital imaging and electronic paper handling enabling users to tap into any one of the technologies available on the network, choice only depending on their current application.

Users today do not even have to worry about configuring a printer to suit their requirements. Automatic interface switching enables printers to accept data from multiple sources without manualintervention. Automatic emulation avoids the user having to specify a particular computer language. Simultaneous processing of multiple jobs increases throughput.

But what if, as a computer user, you have to work from otherlocations and your print jobs are particularly complex? Does itmean that you have to spend ages to reconfigure each printer you use?

What if you use a multifunction copier-printer that has tobe physically switched from one function to another and need to access it from a remote location?

No problem, says Bob Anderson, director of the Xerox Research Centre at Cambridge Laboratory. In future, you will only have to configure your digital copier or printer once. After that, wherever you are located, be it home, a branch office or overseas subsidiary, as soon as you log on to the network, your printer configuration will automatically search you out without youhaving to do a thing. That, says Anderson, is what printing on demand at the point of need is about. Do you have the feeling that business equipment is getting too clever for its own good? Have no fear, sales of copiers and printers proves that paper is here to stay for many years yet.



■ FACSIMILE SYSTEMS

Now the lines are busier than ever

THE European facsimile market is holding its own, according to market research company BIS Strategic Decisions, with unit sales forecast to rise to over 2.5m in 1995, which represents an 8 per cent CAGR over the 1991-95 period. However, the market value is expected to decline as a result of lowering prices to US$2.5bn in 1995 from the $2.8bn high in 1991.

There is no decline in revenues for the network operators, though. The 1993 Pitney Bowes/Gallup survey of UK FT 1000 companies shows a jump of 61 per cent in the number of outgoing faxes in the past year, with the daily average per business rising from 40.3 documents of 3.6 pages to 65.1 documents of 5.1 pages.

The survey also found that the number of fax machines in FT 1000 companies has almost doubled, from an average of 6.5 units per company in 1992 to 14.5 in 1993.

All surveys note the trend towards more sophisticated features and plain paper fax (PPF), with BIS estimating that the PPF share of the European fax market was 9 per cent in 1991 (19 per cent by value) but will be 45 per cent (72 per cent in value) by 1996.

According to Dataquest research, 53,000 PPF units were shipped in the UK last year, with the figure set to rise to 177,000 by 1997, an annual growth of 35 per cent. A £5m order placed by British Gas for a new fleet of Rank Xerox plain paper fax machines would appear to add weight to the prediction. Inkjet technology will, however, experience the strongest growth, with unit sales expected to grow from 20,000 units a year now to 75,000 by 1997. The early success of the Canon B200, which came in at under £900, appears to prove the point.

Gunning for the same market seven months later is Olivetti with the OFX2100, a sub-£900 unit which has the added advantage of a PC interface.

Those launching inkjets at around £1,285, Infotec, Panasonic and Ricoh among them, tend to be targeting the business rather than the mass market, where fast response after sales service is considered a more important criterion than price per se.

Increased competition from new technologies should mean that toner-based PPF fax will either come down in price or will boast more sophisticated features designed to save operating costs or improve image quality at the same price. These include faster speeds, higher resolutions, larger memories, dual or multi-access facilities and, like the newer inkjets, PC or network interfaces. As one might expect from a company that commissioned the Gallup research, epitomising the trend is the new Model 9640 PPF machine from Pitney Bowes which is priced at £2,795 plus Vat, and comes with a fast 14.4Kbps modem, 620K memory, extra fine resolution and RS232 interface.

Computer fax

Users are still cautious about PC fax, it seems. Dataquest says less than 5 per cent of PCs and LANs have on-board fax facilities. The Pitney Bowes/Gallup survey show a rosier picture for FT 1000 companies, with 24 per cent of users sending faxes direct from their computers, although 38 per cent do use a computer equipped with a modem.

Peter Champion, market development manager, Ascom Data Networks, an established supplier of computer fax, believes that the slow take-up is largely due to a lack of user-friendly software applications and ignorance on the part of business users.

The software developers are getting there, slowly, with the help of Windows-based software. Current favourite among the fax/modem suppliers such as Dataflex and US Robotics who supply a total package is Delrina Winfax.

Word-processing users would much prefer faxing to be as easy as printing from within the application; hopefully the inclusion of fax communications in the new 6.0 versions of WordPerfect, due out soon, will set a trend and encourage greater use in offices where the large number of fax messages are generated.

Dataquest believes that the one the networked PC community should watch for is Microsoft at Work which, although at least a year away, will make fax, copying, printing and voice a standard combination on all desktop systems.

Portable fax

Although Ricoh and NEC are winning sales for their mobile fax machines, and Canon has a baby mobile fax in the wings, it still appears to be a niche market. However, portable PC fax looks set for take-off, with an informal Dataquest survey finding that a LAN-adapter is the top priority for users, facsimile second.

In the European fax market, suppliers of low-cost consumer machines will continue to win the lion's share of unit sales

The spur to market growth is likely to be the advent of PCMCIA (Personal Computer Memory Card Industry Association) standard fax/modems which are credit-card sized.

With the market forecast to grow six-fold and 400 hardware and software suppliers committed to the standard, we can expect a flurry of activity soon. But first on the market with PCMCIA fax/modems for mobile cellular and public phone networks are US Robotics and, soon, Nokia/AT&T.

Multifunction fax

Ownership of fax devices in the home jumped dramatically last year, according to BIS, with over 47 per cent of home office and 89 per cent of work-at-home users purchasing devices in the past year.

Main suppliers in this market are Muratec, Ricoh, Samsung and Toshiba. Innovations such as large memories, polling from remote machines and paging with phone-answering, as found on the new under-£500 Brother 360DT, should boost the market further.

Those on a budget looking for a page printer, a plain paper fax, PC fax and scanner may well look to combination products. Typifying the genre, the Muratec F-75/Laserfax which can be used as a hard copy fax (£1,995) or as an image scanner and as a DOSor Windows compatible PC system.

Group 4 fax

The arguments about the relative merits of the Group 4 standard versus Group 3 continue, although little if anything has been heard of Group 3bis, the 64K fast fax contender.

Suppliers such as Infotec and Ricoh claim that this is not surprising since the uptake of ISDN digital lines from BT and Mercury for head office to branch communications is resulting in steady, though not euphoric, sales of Group 4 machines.

With approximately 2,000 companies using ISDN channels (300 per cent up on last year), the potential savings in time, and thus in transmission costs, are being recognised. In the UK, HM Customs & Excise, for example, has placed an order for ten Canon L3300i Group 4 fax machines for its regional offices.

Companies who want to benefit from the savings in transmission costs between the UK and US but do not have the constant volumes to justify purchasing the equipment can now benefit from the first G4 fax service which has been set up by Infotec for Ocean Group, whereby users can end faxes via the fast London-Manhattan link with documents transferred to G3 machines at local country rates.

The advent of ISDN also opens up the market to colour fax.

Services

While the high-margin end of the market is still struggling, the suppliers of low-cost consumer fax machines will continue to win the lion's share of unit sales, according to Frost & Sullivan, with the market driven by automated fax-on-demand services.

Government departments were among the first to embrace the technology with Statfax which provides economic statistics, with Weatherfax among the more popular.

It is being used increasingly by customer support departments to save time and improves customer service response levels. An example is copier supplier Konica which has introduced Flashfax, a computer to fax information retrieval service which enables engineers to get immediate help in fault-finding when out on service calls.

The fact that fax services can be set up very quickly and run for a specified period is a big bonus. In March, for example, Hambros Bank used Mercury Communications' Surefax service to launch Budgetline, a financial information broadcasting service designed to provide all clients simultaneously with accurate, up to the minute information about changes introduced in the budget and their implications.

Julie Harnett

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■ COMPUTER SECURITY

High level of vulnerability

Many companies fail to take basic precautions, despite the high cost of computer fraud which may exceed $4bn a year worldwide, reports Monica Horten

A COMPANY director was visiting his doctor's surgery recently. He noticed that the receptionist was away from her desk and the computer on the desk was turned on. He pressed 'enter,' got a menu, chose patient records, and called one up on screen. He could have amended it or printed it out, and no one would have known.

The director in question happened to work for government computing specialist Lynwood Scientific Development, and his intentions were not malicious: he had in fact, called up his own record. But what if he had been someone with a grudge against another patient?

Security on computers is becoming more, rather than less of an issue, now that many organisations are using PCs and PC-networks instead of holding their data in separate computer centres *(see further report on this page on IT business security issues).*

Many companies, as in the above case of the doctor's surgery, do not recognise the PC as a potential source of security breaches.

In financial terms, computer-based fraud is thought to cost up to $4bn a year worldwide. But as electronic purchase and payment transfers increase with the advance of electronic data interchange (EDI) between businesses, the financial targets for computer 'hackers' may also increase.

"Companies don't seem to have adjusted well to the changing pattern of corporate computing. There is a feeling out there that 'it's only a personal computer,'" says Keith Hearnden, lecturer in security management at Loughborough University.

Mr Hearnden suggests that companies should work out what would happen if that PC were stolen, or lost in a fire. Replacing it, he says, would not be as simple as going to the high street and buying a similar model.

"You need the same operating system, configuration, software add-ons, and communications set-up," he says.

In addition, the loss of data held on it, could cause more financial damage than the loss of the actual hardware – unless the precaution had been taken to keep disk back-ups in another location.

David Cockarill, Lynwood's business development manager, advises that commonsense measures should be taken in the office as a first line of action.

A simple precaution that could have been taken in the doctor's surgery, for example, would have been to use a key which blanks the screen, and turns off the keyboard. The casual browser cannot read anything. Confidential memos should be stored on floppy disks and locked away – "You wouldn't leave a typescript on the desk, so don't do it with the electronic version," says Mr Cockarill.

Mr Hearndon advises that staff should be told about computer security issues: the best time to do this is on an induction course when they join an organisation. He recently conducted a survey of 421 UK organisations, which showed that two-thirds do not bother to take this precaution.

It is common for staff to write their password on yellow stickers, posted on their screen. Anyone – clients or suppliers – visiting the office could see it, and use it later to hack into the network to access files. Training should include basics such as why staff should not reveal their password, and how viruses can be introduced to a computer, as well as proper procedures for taking disk-back-ups.

The best protection against viruses is simply to ban people from using any disk other than one that has been checked by the systems department – computer games, brought in by staff to play on their perosnal computers at lunch time, are a common hazard. Another sensible precaution is to forbid the uploading software from bulletin boards.

ONE simple course of action against hacking is to be more strict on the choice of passwords. According to Geof Soulsby, marketing manager at Racal Datacom, 80 per cent of all passwords are contained in 100 known names or words – "it isn't difficult for a hacker to guess those 100 words," he says. They include the 10 most popular boys and girls names, a few swear words, and several four-to-six letter words. 'Dog' and 'cat' are the third and fourth most popular passwords.

David Clark, partner specialising in computer security at management consultants Touche Ross, says that there are no statistics on the extent of the problem of hacking, because few organisations will admit to it. But he added: "Fifteen per cent of the organisations I deal with have a concern about hacking. They may either have experienced it or they are worried about it."

It therefore follows that where a computer system or network is carrying information of high value to the organisation or its clients, something more than a password is needed.

Encryption of the data is not necessarily the answer. Encryption makes it impossible to read the data while it is travelling along the lines, but does not prevent unauthorised access. Normally, encryption is part of a package of measures which utilise other cryptographical techniques to protect against and to authenticate the message.

Unauthorised access can be prevented by a "challenge and response" system. Staff are given an electronic gadget that looks similar to a calculator. When someone logs on to the system, it sends back a challenge which appears on the screen. The challenge is entered into the gadget, which uses complicated mathematical algorithms to calculate a response, which must be entered into the system. If the gadget has obtained the correct response, the user is permitted to access the system.

Challenge and response systems make life difficult for hackers because the codes are different every time.

Even if a hacker obtained one code, they would not be able to use it to get in to the system. The algorithms used – known as DES – is licenced by the US Department of State, and its use is strictly controlled.

Challenge and response systems are used by Barclays and Natwest banks, as well as other commercial organisations, to protect sensitive payment and order data.

They are also used where people are regularly dialling in to a system from remote locations.

But the cost is not cheap. According to Mr Soulsby, the 'calculator' gadget costs around £50, but a large organisation such as a bank might buy 10,000.

Authentication of messages is done using a digital signature – an indication to the recipient that they have not been tampered with.

Mathematical algorithms scramble the characters in a message, and produce a 64-digit message string, which is then appended to the original text. The recipient uses the same algorithms to decode the string. If the message has been tampered with a different string would be produced.

Mr Clark recommends that a digital signature is used "where it is vital that the recipient is assured of the source of the transaction."

Typically, this would be in a banking environment, where large sums of money are involved.

Early warning system: the City of London Police, in conjunction with the City Corporation and British Telecom have launched a Pager Alert System to give rapid warnings of suspect packages and vehicles or bomb alerts in the area. Pictured here is Owen Kelly, Commissioner of the City of London Police Picture by Terry Kirk

The annual IT Awards promote excellence in applying information technology in business, reports **John Kavanagh**

Clever ways of using 'ordinary' information technology

HUMAN ingenuity can put straightforward office automation products and services at the forefront of information technology (IT).

This is clear from the increasing numbers of office automation systems among the finalists in the Annual IT Awards competition run by the British Computer Society (BCS), the industry's professional body, to promote and highlight excellence in the application of IT.

The awards celebrate their twenty-first anniversary this year and have drawn a record number of entries. They are sponsored by such leading IT companies as BT, Bull, IBM, ICL, Logica, Mercury, Tandem and Unisys, plus the Department of Trade and Industry.

The 11 finalist medal winners, three of which will be selected for awards, include some eye-catching high technology projects, such as the Marlboro McLaren racing car which transmits data during a race to an analysis system in the pits.

But every-day office automation systems are also there, largely due to humans' ability to spot clever ways of using ordinary technology, rather than because the technology is particularly clever in itself.

Trafalgar House group's Engineering Division is among the finalist medal winners with its Global Office, an international network which handles voice, data and fax communications, electronic mail and video-conferencing. The system is claimed to be one of the biggest and sophisticated of its kind in the world. But the thinking behind the system is at least as significant as the technology, if not more so.

Mr Jim Noble, the IT director, says the network enables the company's disparate units to operate as what he calls "a single virtual company." This means it can cope more easily with peaks and troughs and reduce project schedules.

In addition, Trafalgar House has extended the network to clients, which can send their designs and ideas electronically for Trafalgar House engineers to work on: this has "transformed our competitive advantage," says Mr Noble.

ANOTHER finalist is using even simpler technology – a standard 3.5 in. personal computer disc – to potentially change the face of electronic publishing.

FRAX is a small software company in Aberdeen, formed 18 months ago and now employing seven people and eight consultants on contract.

Its Smartbook package compresses 100 paces of text and 100 colour images of photographic quality into a standard disc which also includes software for cross-referencing any topic with any other.

The package costs £499. If necessary, FRAX can produce copies from customers' master discs at £1.25 each, including a disc: in other words a full electronic book on disc for little more than the price of the disc alone.

"CD-Rom has been the only way of distributing such documents, but not many users have CD-Rom drives," says managing director Mr Bob Garrioch. "In addition, once you go to press with CD-Rom, it's like printing a book: you can't easily change it.

"Smartbook uses ordinary discs, which can be used with any PC. The text can be prepared and amended using any word processing package."

FRAX sees many office applications for Smartbook. They range from training to distributing fully-illustrated product catalogues which can easily be updated. Sony recently put out the press pack on the new album by singer Paul Young on disc, complete with photographs, interviews and other illustrated information.

Another business application is the production of annual reports, with the facility for moving data from the report into a spreadsheet package for analysis or into a library of company information or any other file.

The hypertext facilities mean an electronic book could hold a photograph of, say, an office complex with different areas numbered: entering a number could call up information on that area.

Such entries to the BCS Awards competition are certainly welcomed by the society – "the ingenuity in the way IT is used is just amazing," says Mr Arrick Wilkinson, chairman of the preliminary judging panel for the last eight years. "In addition, the range and quality – and the way the systems are developed these days, using formal methods and project management disciplines – are all constantly improving."

But why do companies enter for the BCS Awards? The competition is demanding: two judges spend at least half a day with each entrant. The only prize is a trophy or a medal. However, recent finalists say awards are especially important for office automation projects because they help beat the common problem of getting end-users to actually use the system.

IT is relatively easy to implement systems – "the hard part is winning over the users," says Jim Noble at Trafalgar House. "Telling them they've got a good system, doesn't work: what really makes the difference is when they see an award and read reports of our success."

Bridie Collier, IT co-ordinator at the Patent Office, sees the BCS Awards as important for systems staff, too.

The Patent Office won an award in 1990 with services group Computer Sciences for a £13.7m project which put 30m records of patents and trade marks online to staff.

"People rarely give you good news: it's usually bad news or requests for enhancements," she says. "So although we felt we had a good system, we were never self-congratulatory about it, because the users were always saying, 'Why doesn't it do such-and-such?'

"This meant we didn't think we had a chance. Winning was a great surprise - and made us feel we were right to be pleased with the system."

This reaction is common to many winners.

"This was a recognition of what the whole department was capable of – not just the people who happened to be in that particular project team at that time," says Mr Mark Nonour, a systems manager at British Airways.

The company won a BCS Award in 1991 with a system which works out the most profitable ways of filling flights with passengers.

Winning a BCS Award might be icing on the cake to some, but to those trying to "sell" their systems to their end-users, it can clearly be a key to success.

The winning trio

This year's three BCS Award winners will be announced at London's Waldorf Hotel on November 15 by Mr William Waldegrave, Chancellor of the Duchy of Lancaster. All the finalist projects will be on display throughout the afternoon.

☐ Free tickets are available from Anna Duckworth at the BCS on (0793) 480 269.

Portable but powerful computers

Continued from page seven: book systems has both keyboard and penpad. Most recently, Compaq has launched the Concerto, a high performance notebook with a detachable screen which doubles as a pen pad and costs around £2,000.

For some business users, size and weight will be the main criterion when choosing a portable. For them, the sub-notebook category of devices pioneered by Olivetti with the Quaderno, now in its second generation, and Hewlett Packard with the Omnibook could prove attractive.

Significantly, Hewlett Packard has acknowledged that most notebook users also have access to a desktop PC so the Omnibook is designed to be used in conjunction with a PC rather than as a replacement.

However, despite initial high hopes, the sub-notebook market has so far failed to live up to expectations. Mr Jeff Goldberg, European industry analyst with Dataquest in London, believes this is because to date they have generally been overpriced and viewed as similar too, but more costly than, electronic organisers.

Mr Goldberg is equally dubious about the short-term market potential for PDAs, arguing that the first machines from manufacturers like Apple, Casio and Sharp are generally too expensive and do not offer many advantages over cheaper handheld computers and pen-operated electronic organisers.

Even when prices fall, most *analysts question whether* PDA's will sell in sufficient volumes to generate significant revenues for their manufacturers. Nevertheless, machines like the innovative Apple Newton MessagePad could still represent a significant development in portable computing. In particular, the next generation of PDAs are likely to feature much more sophisticated telecom facilities – highlighting one important trend – the move towards integrating portable computing and telecoms.

Combining the processing power of the latest generation of chips with the rapid development of digital telecoms like Mercury's One-2-One in the UK, GSM services throughout Europe or perhaps satellite-based systems, could turn PDA's in to important business tools with a real role in the office of the future.

Business protection and IT risk management

Serious conflict of priorities

BUSINESS protection now offers some of the highest growth rates in the information technology sector. In the next five years to 1997, companies in the UK will spend £2.5bn on protection, representing a compound annual growth rate of almost 30 per cent,

Research by the International Data Corporation shows that 40 per cent of this IT business protection will be "outsourced." The report examines four areas: database recovery, access control, contingency planning and disaster recovery in sectors ranging from banking and insurance to retailing and manufacturing.

One phenomenon that emerges from the IDC survey is that while, alarmingly, only 12 per cent of organisations were "totally confident" in their ability to recover from a serious IT incident leading to business disruption, more than 20 per cent considered IT security to be "a prime concern" and a significant item for IRT expenditure.

This apparent conflict in priorities provides a measure of the level of opportunity available to computer services vendors. Even though companies are becoming increasingly dependent on information technology, more than 35 per cent do not consider IT security to be a "major priority," according to the survey.

Finance directors, who are generally beginning to view IT strategy and expenditure more critically, still tend to consider IT business protection as "more of a technical issue than *a commercial necessity.*"

With UK commercial losses due to computer security lapses now running at well over £1bn a year, "awareness of the problem is the first stage for treatment – and recognition has to come from the top of an organisation," says the new *Director's Guide to Business Security,* produced by the Institute of Directors and Digital Equipment.

Having been through its own worldwide review of internal security, Digital advises companies on security strategies and then helping the customers to implement them. Consultancy begins with a "threat assessment" to identify risk areas and their impact on the business. The risks evaluated include theft, industrial espionage and even bomb attacks.

Digital's approach to network security has been learned in the harsh light of experience: in 1990, a fire destroyed one its UK office complexes – although only 18 months old, the structure which also housed a large Digital computing facility, was 80 per cent destroyed in less than an hour.

The IOD/Digital survey suggests a range of sources of advice on IT security. These include:

☐ The Confederation of British Industry which has two relevant groups: the Computer Security Working Group and the Computer Misuse Working Group. Details from Wendy Rainbow at the CBI on 071 379 7400.

☐ The British Computer Society which has a committee on data security. Details from the BCS on 0793 480 269.

☐ The Computer Crime Unit of the Metropolitan and City Police – described as the only police unit in the UK which specialises in the investigation of computer-related crime. Details on 071 230 1189.

☐ The European Security Forum: an independent, non-profit group dedicated to resolving issues of IT security. Details on 071 583 1745.

☐ International Information Integrity Institute (I4): formed in 1986 by SRI International; member-companies include both suppliers and advanced users of information technology. Details from Ken Lindup on 081 685 5555.

In the aftermath of the bomb disaster at Bishopsgate in the City, Safetynet, a leading supplier of business continuity services, has made an extensive report listing 20 areas of "lessons learned" regarding contingency planning. Among the findings in the report are:‡

☐ A bad plan is worse than no plan at all.

☐ Business continuity budgets are often inadequate - and "business as usual" is a myth.

☐ Third party involvement is critical to success in contingency planning.

☐ Weekend "disasters" are easier to survive.

☐ Supplier goodwill is not enough.

☐ Off-site storage must be comprehensive.

☐ Insurance alone does not usually cover losses.

☐ Multi-site organisations recover more quickly.

As an example of the the new awareness of IT security in the City of London, AST Trans-Act – a subsidiary of the Royal Bank of Canada – has won five contracts worth £3.5m – just three months after launching its business recovery facility. This is one of the first "shared subscription" facilities for City businesses wanting contingency plans for serious trading disruptions.

Following a disaster, clients have the use of an office complex and dealing room for 180 staff. The facility is guarded around the clock and has an uninterruptable power supply

**Report: 'UK IT Business Protection: a Window of Opportunity for Computer Services Vendors'; from IDC, London, telephone 081 995 8082.*

***Director's Guide to Business Security; Institute of Directors, London; £9.95; details on 071.497.3001.*

‡ "After Bishopsgate: the Lessons Learned"; report available from Caroline Davy; Safetynet, telephone 0344 869 933

Michael Wiltshire